NORTH CENTRAL REGIONAL TRANSIT DISTRICT (NCRTD)
FINANCE SUBCOMMITTEE

October 25, 2013
9:00 a.m. - 11:00 a.m.

Executive Conference Room
1327 N. Riverside Drive
Espanola, NM 87532

AGENDA

CALL TO ORDER: Tim Vigil, Chair

Roll Call:

ITEMS FOR DISCUSSION/RECOMMENDATION

A. **Discussion of Authorizing Direct Deposit for Certain Vendors**
Sponsor: Anthony Mortillaro, NCRTD Executive Director and Glenda Aragon, Finance Manager.

B. **Discussion and Review of a Budget Amendment for Fiscal Year 2014 so as to Incorporate the Transportation Alternatives Program (TAP) Federal Funding Award**
Sponsor: Anthony Mortillaro, NCRTD Executive Director and Glenda Aragon, Finance Manager and Stacey McGuire, Projects and Grants Specialist.

C. **Discussion and Review of Investment of District Funds into the Local Short-Term Investment Fund in the State of New Mexico Local Government Investment Pool**
Sponsor: Anthony Mortillaro, NCRTD Executive Director and Glenda Aragon, Finance Manager.

D. **Discussion and Review of Modification of the Reserve Fund Policy and Long Range Financial Plan – Moderate Scenario**
Sponsor: Anthony Mortillaro, NCRTD Executive Director

E. **Minutes from August 23, 2013 and September 27, 2013**
Draft Minutes.

MATTERS FROM THE SUBCOMMITTEE

ADJOURN

If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language Interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing of the meeting, please contact the NCRTD Executive Assistant at 505-629-4702 at least one week prior to the meeting, or as soon as possible. Public documents, including the agenda and minutes, can be provided in various accessible formats.

Memorandum

To: Finance Committee
From: Glenda Aragon, Finance Director
Thru: Anthony J. Mortillaro, Executive Director
Date: October 25, 2013
Re: **Direct Deposit implementation for Specified District Vendors**

Background:

Currently North Central Regional Transit District is being provided services by a variety of vendors that the District would like to begin implementation of a "Vendor Direct Deposit Program". The program allows for specified vendors to elect to receive an Automated Clearing House (ACH) payment for services provided to the district. Automated Clearing House (**ACH**) is an electronic network for financial transactions.

There are many advantages that the District can benefit from by the implementation of this type of program. Currently the district sends out all payments via paper checks that can be lost in the mail, stolen, or delivered to the wrong address thus delaying the process of payment. Electronic payments are safer and more secure, allowing the District to be more efficient and timely in its accounts payable processes. In addition electronic payment records are available online and can be accessed immediately and identified as payment process and verification of payment. Many state and local governments currently utilize the process of electronic payment.

Through the use of this process the district would identify specific vendors that would best utilize the program and will be sent a W-9 and enrollment form for participation. The NCRTD has recognized the following groups/vendors that could participate in its program:

- Contracts (legal services, custodial, etc…)
- Utility providers
- Non-RTD (GRT payments)
- Payroll Liabilities
    - PERA
    - Retiree Health
    - GSD
    - ERISA
- Liens
    - P-Card
    - Fuel card

Recommendation:
It is recommended that the Finance Subcommittee recommend that the Board of Directors consider the implementation of the Direct Deposit for Vendors program.

Attachment:
- List of recommended vendors/groups for the "Vendor Direct Deposit program"
- NCRTD W-9 form enrollment form

Recommended Vendor/groups for Direct Deposit with highest monthly Payments.

- Payroll Liabilities
  - PERA $23,000.00
  - NM Retiree Health Care $3,200.00
  - General Services Department $33,000.00
  - ERISA (transfer from GSD $33,000.00)
- Liens
  - Bank of America $7,000.00
  - Wright Express (Fuel) $38,500.00
- Utility Providers
  - City of Espanola $550.00
  - Jemez Mountain Electric Coop $1,950.00
  - New Mexico Gas Company $1,300.00
  - North Central Solid Waste $155.00
  - Mega Path$1,100.00
  - Windstream $75.00
  - North Central New Mexico Economic Development $370.00
- Contracts
  - Carl Boaz $500.00
  - Basham & Basham $6,500.00
  - Steady Networks $2,400.00
  - Rio Metro $191,000.00
  - Paul Armijo (Janitorial service) $1,970.00

Substitute W-9

North Central Regional Transit District

Do NOT Send to IRS

North Central Regional Transit District

Finance Department

Finance Stamp Here

Vendor Registration and Update, Taxpayer Identification Number Certification & Direct Deposit Authorization

TYPE OR PRINT NEATLY, CHECK THE APPROPRIATE BOX(S) BELOW. PLEASE REFER TO INSTRUCTION FOR MORE INFORMATION

☐ NEW VENDOR REQUEST (Fill section 1,3,4,6-12,14,15) ☐ ADD Remittance Address (Fill section 1,3,4,6,9-12) ☐ ADD DBA/Trade Name (Fill section 1,3,4,6,7,10-12) ☐ ADD ACH Direct Deposit (Fill section 1,3,4,6,8,9-15)	☐ CHANGE Legal Name (Fill section 1,3-5,8-12) ☐ CHANGE DBA/Trade Name (Fill section 1,3,4,6-12) ☐ CHANGE Primary Address (Fill section 1,3,4,6,8,10-12) ☐ CHANGE Remit Address (Fill section 1,3,4,6,9-12)	☐ CHANGE ACH Direct Deposit (Fill section 1,3,4,6,8-15) ☐ CHANGE Entity Designation (Fill section 1,3,4,6,8-12) ☐ CHANGE TIN# (Fill section 1-15) – NOTE: Finance will assign a NEW Vendor ID# for accounting purposes
1) Taxpayer Identification Number (TIN#) (9-digits) ☐ SSN ☐ FEIN	2) NEW TIN# ☐ SSN ☐ FEIN Effective Date / /	3) NM CRS ID # Optional (11-digits) ____ ____ - ____ ____ ____ ____ ____ ____ - 00 - ____

4) Current Legal Name As Registered with IRS or SSA	5) NEW Legal Name As registered with IRS or SSA
6) Current DBA/Trade Name Enter doing business as (DBA)	7) NEW-ADD DBA/Trade Name
8) Primary Address Official address where correspondence, payments, purchase orders, or 1099s should be sent ☐ CHANGE	9) Remittance Address ☐ Same as Primary ☐ CHANGE Additional address to mail payments ☐ CDBG ☐ SHARE Loc# __ __ __
Address Line #1	Address Line #1
Address Line #2	Address Line #2
City / State / Zip	City / State / Zip

10) ENTITY DESIGNATION (Check only one) *Required*

Individual/Sole Proprietorship — Indian Tribe — Estate or Trust

Partnership General/Limited — Corporation/Professional Corporation

Government or Government Operated Entity

Tax Exempt Organization under IRC Section 501 C _____

Limited Liability Company taxed as:

Single Member — Sole Proprietorship

Partnership — Corporation S/C

11) ENTITY ACTIVITY indicate if your entity provides the following: (in space provided put an "A" to ad or "D" to delete, if none, leave blank)

__ Utility

__ Non-RTD

__ Contracts

__ Payroll Liability (PERA, RHC, GSD, ERISA SERVICES)

__ Liens (P-Cards, BOA, WEX)

12) **CERTIFICATION** Under penalties of perjury, I certify that:

1. The number shown on this form is my correct tax payer identification number (or I am waiting for a number to be issued to me), **AND**
2. I am not subject to backup withholding because: **(a)** I am exempt from backup withholding, or **(b)** I have **not** been notified by the Internal Revenue Service (IRS that I am subject to backup withholding as a result of a failure to report all interests or dividends, or **(c)** the IRS has notified me that I am no longer subject to backup withholding, **AND**
3. I am a U.S. Citizen or other U.S. Person.

The Internal Revenue Service does not require your consent to any provision of this document other than the certifications required to avoid backup withholding

Printed Name	Printed Title	Telephone Number ( )
Signature	E-mail	Date (mm/dd/yyyy)

OPTIONAL DIRECT DEPOSIT (ACH)

Warning: The North Central Regional Transit District will not process International ACH Transactions (IAT). If any payment to you from the NCRTD will ever result in an IAT under National Automated Clearing House Association (NACHA) operating rules or if you are not sure if the rules apply to you DO NOT FILL OUT THIS SECTION OF THE FORM.

The North Central Regional Transit District will only setup ACH information for checking accounts.

13) PREVIOUS BANKING INFORMATION		14) NEW BANKING INFORMATION	
Bank Name		Bank Name	
Bank Routing No. (9-digit ABA#)	Bank Account Number	Bank Routing No. (9-digit ABA#)	Bank Account Number

15) **I ACKNOWLEDGE** the IAT warning and authorize the North Central Regional Transit District to initiate direct deposit of funds to the account and financial institution indicated, and to recover funds deposited in error if necessary in compliance NACHA regulations.

Please provide a copy of a voided check or letter from financial institution confirming banking information.

Printed Name	Signature

Instructions for completing this form

This form substitutes for the IRS W-9 form. Complete this form if you will receive payment from the North Central Regional Transit District. To comply with the International Revenue Service (IRS) regulations regarding 1099 reporting, the North Central Regional Transit District is required to collect the following information to be completed on the Substitute W-9 form. The information collected on this form will allow the NCRTD to confirm that our records contain the official name of your business, the Tax Identification Number (TIN) that the IRS has on file for your business and business type.

Check the appropriate box(S) that this form is to be utilized and fill in the corresponding section(s) indicated next to the box(s) checked.

1) **Taxpayer Identification Number (TIN#)** Is always a 9-digit number. Provide the Social Security Number (SSN) assigned by the Social Security Administration (SSA) or the Federal Employer Identification Number (FEIN) assigned to the business or other entity by the International Revenue Service (IRS). Check the appropriate box to indicate if you are providing an SSN or FEIN.

2) **NEW TIN#** Provide the new number assigned by the SSA or the IRS and enter the effective date of change.

3) **NM CRS ID#** (Optional) is always an 11-digit number that is provided by the New Mexico Taxation and Revenue Department.

4) **Current Legal Name** When changing name, enter the current legal name. As registered with the IRS or Social Security Administration.

5) **NEW Legal Name** Enter the new legal name. As registered with the IRS or Social Security Administration.

6) **Current DBA/Trade Name** Individuals leave blank. Sole Proprietorships: Enter DBA (doing business as) name. All other: Complete only if business name is different than Legal Name.

7) **NEW-ADD DBA/Trade Name** Enter the name of the new or additional doing business as.

8) **Primary Address** Where correspondence, payment(s), purchase order(s) or 1099s should be sent. If primary has changed check the box that indicates "CHANGE."

9) **Remittance Address** Where payment(s) should be sent if different from primary address. If address has changed check the box that indicates "CHANGE." NOTE: State agencies please indicate the SHARE Loc. # in spaces provided. When providing a Community Development Block Grant (CDBG) remittance address, provide bank name in address line #1 and physical address in address line #2.

10) **Entity Designation** Check ONE box which describes business entity. *For LLC entities, you must check the type of LLC.*

11) **Entity Activity** Specify in the spaces provided next to the activity listed with an "A" to add or "D" to delete if the entity provides one of the activities listed. If entity provides none, leave blank.

12) **Certification** By signing this document you are certifying that all information provided is accurate and complete. The person signing this document should be the partner in the partnership, an officer of the corporation, the individual or sole proprietor noted under legal name above, or the North Central Regional Transit District Employee for which the vendor account is established.

Optional Direct Deposit (ACH) You may elect to receive payments from the North Central Regional Transit District through Automated Clearing House direct deposit. Please provide the Bank Name, Bank Routing Number (9-digit-ABA) and Bank Account Number. The North Central Regional Transit District will only setup ACH information for checking accounts. Please provide a copy of a voided check or letter from your bank confirming the banking information you are providing. Without providing this information and providing a copy of a voided check or letter from your bank the direct deposit WILL NOT be setup on the vendor file.

13) **Previous Banking Information** Provide the complete banking information previously listed with the North Central Regional Transit District.

14) **NEW Banking Information** Provide the NEW Banking Information.

15) **I Acknowledge** Print name and sign to acknowledge the IAT warning and to authorize the North Central Regional Transit District to initiate direct deposit of funds to your financial institutions provided.

Privacy Act Notice Section 6109 requires you to furnish your correct TIN to persons who must file information returns with the IRS to report interest, dividends, and other certain income paid to you, mortgage interest you paid, the acquisition or abandonment of secured property, or contributions you made to an IRA. The IRS uses the TIN for identification purposes and to help verify the accuracy of your tax return. You must provide the TIN whether or not you are required to file a tax return. Payers must generally withhold a percentage as determined by the IRS of taxable interest, dividend, and certain other payment to a payee who does not furnish a TIN to a payer. Certain penalties may apply.

Penalties If you fail to furnish your correct Taxpayer Identification Number (TIN) to a requester, you are subject to an IRS penalty of $50 for each failure unless your failure is due to a reasonable cause and not to willful neglect. If you make a false statement without a reasonable basis that results in no backup withholding, you are subject to an IRS penalty of $500. Willfully falsifying certification or affirmation may subject you to criminal penalties including fines and/or imprisonment. If the requester discloses or uses TINs in violation of Federal Law, the requester may be subject to civil penalties and imprisonment.

Memorandum

To: Finance Subcommittee
From: Glenda Aragon, Finance Director, Stacy McGuire, Projects and Grants Specialist
Thru: Anthony J. Mortillaro, Executive Director
CC:
Date: October 25, 2013
Re: Budget Amendment for Fiscal Year (FY) 2014 so as to incorporate the Transportation Alternatives Program (TAP) Federal Funding Award

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Summary: A Resolution is required in order to amend the FY14 budget and incorporate the recently awarded Federal TAP funding. The Federal TAP funding was preliminarily awarded at the NPRPO meeting on September 25th, 2013, with NMDOT approving the official award amount on October 2013. The Board of Directors approved Resolution No. 2013- 25 authorizing staff to submit an application for this funding at the October 4, 2013 meeting. The NCRTD applied for TAP funding to develop an ADA (Americans with Disabilities Act) Transition Plan in relation to bus stops and shelters and to subsequently design, plan and construct the modifications recommended within the plan.

Background: The purpose of this project is to bring existing bus stops and shelters into ADA compliance through the creation, utilization, and implementation of an ADA Transition Plan. This plan would identify and prioritize bus stops and/or shelters that are currently not ADA compliant. Currently, in the four county service area of Rio Arriba, Los Alamos, Santa Fe, and Taos, the NCRTD has 32 rural and urban area bus stops with shelters that are not compliant with ADA regulations, and multiple additional rural bus stops that need modification to be brought up to ADA standards. In Phase I (FFY14), an ADA Transition Plan will be created and used to formally identify ADA noncompliant bus stops and shelters and determine and design the necessary modification to bring the bus stop into ADA compliance. In Phase II of the project, the ADA Transition Plan prioritization determinations will be implemented to bring existing ADA noncompliant bus stops and shelters into compliance through modifications to existing shelters, concrete pads, and sidewalks (connecting the bus stop to the sidewalk or roadway) to allow for barrier-free access to all riders of public transportation. Estimated modification costs per bus stop are anticipated to be in the range of $4000-$8000.

Fiscal Impact: The fiscal impact would be the expenditure of Federal TAP funding for FFY14 (and FFY15) for the planning, design and implementation of an ADA Transition Plan. This is a cost reimbursement program and requires a 14.56% local match. Estimated modification costs are anticipated to be in the range of $4000-$8000 per bus stop.

Environmental/Planning: $62,500
Design: $15,000
Preliminary Engineering: $10,000
Construction: $96,766

Total Project Estimation: $184,266

Request Federal TAP: $157,437
NCRTD match GRT: $26,829

The NCRTD requested funding as follows:

$87,500- planning, preliminary engineering and design
$96,766- for construction

$184,266 Total

At the time of preparation of this memo please note that the funds listed are approximately estimated as we have only received verbal confirmation of receipt from Federal TAP funding for FFY14, and are awaiting a formal award letter.

Recommendation:

It is recommended that the Finance Sub-committee review and discuss the proposed request for a budget amendment and recommend to the Board a Resolution amending the budget and to increase the expense line item by $184,266 for FY14 Budget, and to increase revenues by $157,437 and a match of NCRTD GRT in the amount of $26,829 for the acceptance of Federal TAP funding for FFY14 (and FF15).

Attachment:

- NMDOT PIF

PROJECT IDENTIFICATION FORM (PIF)

INSTRUCTIONS: Please complete all sections thoroughly.
See the end of this document for required distribution.

1. **Date of Submittal:** 9/18/13 *2*. **Initial or Revised PIF? Initial PIF.**

3. **Is this project phased? Yes. If phased:** Phase I: planning and design; Phase II: construction

4. **Sponsoring public entity:** NCRTD *5*. **Project Name:** ADA Transition Plan
Note: per MAP-21, Non-Profit Organizations cannot be lead agencies, but they can contribute to projects.

6. **Is the project on the ICIP? Yes. If yes, year and priority #:** FY14, FY15, FY16, FY17; 5

7. **Is the project in or consistent with a MPO/RPO/Local planning document? Yes.**
If yes, which document (MTP/SLRP/TTP/etc.): FTA 504 ADA/ NMDOT

8. **Is the project in the STIP? No. If yes, year(s):** Enter year(s). **Control #:** Enter CN.

9. **Is the project on the MPO TIP/RPO RTIPR? No. If yes, which year(s):** Enter year(s).
Notes: Please contact your MPO/RPO planner if this project is not in any local planning documents; if it is, ***please include the first page and the page on which the project is listed for any relevant documents.***

10. **County: Rio Arriba** *11*. **US Congressional District: 3**

12. **New Mexico House District:** Lujan *13*. **New Mexico Senate District:** Udall and Heinrich

14. **Contact Person and/or PDE:** Stacey McGuire

15. **Address:** 1327 N. Riverside Drive, Espanola, NM 87532

16. **Phone:** 505.629.4704 *17*. **Fax:** 505.747.6647 *18*. **E-mail:** staceym@ncrtd.org

19. **MPO or RPO: Northern Pueblos RPO** *20*. **NMDOT District #: 3**

Project Description

21. **In the space below, please provide a narrative describing the Project, its Purpose and Need,** i.e., the rationale behind the project. *If this project has or will go through the NEPA process, the description below should match the NEPA description as closely as possible.*

ADA Transition Plan- The purpose of this project is to bring existing bus stops and shelters into ADA compliance through the creation, utlization, and implementation of an ADA Transition Plan. This plan would identify and prioritize bus stops and/or shelters that are currently not ADA compliant. Currently, in the four county service area of Rio Arriba, Los Alamos, Santa Fe, and Taos, the NCRTD has 32 rural and urban area bus stops with shelters that are not compliant with ADA regulations, and multiple additional rural bus stops that need modification to be brought up to ADA standards. In Phase I (FFY14), an ADA Transition Plan will be created and used to formally identify ADA noncompliant bus stops and shelters and determine and design the necessary modification to bring the bus stop into ADA compliance. In Phase II (FFY15) of the project, the ADA Transition Plan determinations will be implemented to bring

existing ADA noncompliant bus stops and shelters into compliance through modifications to existing shelters, concrete pads, and sidewalks (connecting the bus stop to the sidewalk or roadway) to allow for barrier-free access to all riders of public transportation. Estimated modification costs per bus stop are anticipated to be in the range of $4000-$8000.

22. **Select an Improvement Type for the project: 23 Transit**
Notes: See FMIS Improvement Type Codes for complete improvement descriptions. List additional improvement types here: Enter improvement type(s), including improvement type number.

Project Details (fill out where applicable)

23. **Route # or (Street) Name:** multiple locations *24.* **Length (mi.):** n/a

25. **Begin mile post/intersection:** multiple *26.* **End mile post/intersect.:** multiple

27. **Directions from nearest major intersection or landmark:** n/a

28. **Google Maps link (see tutorial for help):** Enter shortened Google Maps URL [goo.gl/maps/xxxx].

29. **Roadway FHWA Functional Classification(s): Local**

Funding Information

30. **Has this project received Federal funding previously? No. If yes, which years?** Enter year(s). **Which program(s)?** Enter program(s).

Please Itemize the Total Project Costs by Type

31. **Environmental/Planning:** $62,500

32. **Preliminary Engineering:** $10,000

33. **Design:** Phase I: $15,000

34. **Right-Of-Way:** $0

35. **Construction:** $165,000

36. **Other (specify):** $0

Funding Sources

List all sources and amounts of funding, both requested and committed, for the project.

37. **Total Project Cost Estimate:** Phase I: $87,500; Phase II: $165,000; Total: $252,500

38. **Local/County/Tribal Gov't Funds***: GRT Total: $36,764 (Phase I: $12,740; Phase II: $24,024) [Committed]

39. **State Funds:** Enter dollar amount. [Select Existing or Requested]

40. **Tribal Transportation Program (TTP):** Enter dollar amount. [Select Existing or Requested]

41. **Other Federal grants:** Enter dollar amount. [Select Existing or Requested]

42. **Federal Funds** (STP/CMAQ/TAP funds requested)**:** $215,736

** Identify the specific local/ city/ county/ tribal government fund(s) source, such as gas tax, sales tax, etc.*

Project Readiness

This is a list of certifications, clearances, and other processes that could apply to the project. These steps may not be required at this time, but could be necessary at a later date. Identify the **date** that the certification or clearance was received **OR** if a certification/ clearance is under way **OR** will be started in the future **OR** the step is not applicable (N/A). **Do not leave any field blank.**

43. **Public Involvement:** n/a

44. **Right of Way:** To be started as part of the ADA Transition Plan implementation and construction in Phase II, approximately October 2014

45. **Design:** To be started as part of the ADA Transition Plan assessment in Phase I, approximately January 2014

46. **Environmental Certification**:** n/a

47. **Utility Clearances:** To be started on a per stop basis as part of the ADA Transition Plan implementation and construction in Phase II, ongoing beginning approximately October 2014

48. **ITS Clearances:** n/a

49. **Railroad Clearances:** n/a

50. **Other Clearances:** n/a

** NEPA assessment may evaluate: Threatened & Endangered Species, Surface Water Quality (Clean Water Act), Ground Water Quality, Wetlands, NPDES Permit, Noxious weeds, Air Quality Analysis, Noise Analysis, Hazardous Materials Analysis, and other areas; 4-F properties. NHPA Section 106 Cultural Resources Investigation may include: coordination with land management agencies and State Historic Preservation Officer, Cultural Properties Inventory (buildings recorded), Traditional Cultural Property Inventory (consult with appropriate Native American tribes), Tribal Historic Preservation Officer and State Historic Preservation Officer. **For a full list of environmental and cultural areas that may be evaluated, see the Tribal/Local Government Agreement Handbook.**

Project Planning Factors

Below are the federally mandated planning factors for all transportation projects. Please check all that apply and provide a brief explanation of how the project addresses the factor. Comment area will expand as needed. **NOTE: if you are applying for TAP funds, leave this section blank and complete the supplemental TAP application.**

51. ☐ **Economic Vitality:** Type explanation.

52. ☐ **Safety for Motorized and Non-motorized Users:** Type explanation.

53. ☐ **Security for Motorized and Non-motorized Users:** Type explanation.

54. ☐ **Accessibility and Mobility of People and Freight:** Type explanation.

55. ☐ **Environment, Energy Conservation, Quality of Life:** Type explanation.

56. ☐ **Integration and Connectivity:** Type explanation.

57. ☐ **System Management and Operation:** Type explanation.

58. ☐ **System Preservation:** Type explanation.

REQUIRED DISTRIBUTION

59. **Send a completed electronic version** to appropriate **RPO/MPO**, **District staff**, and **NMDOT Planning liaison**.

Memorandum

To: Finance Committee
From: Glenda Aragon, Finance Director
Thru: Anthony J. Mortillaro, Executive Director
Date: September 27, 2013
Re: **Investment of District Funds into the Local Short-Term Investment Fund in State of New Mexico Local Government Investment Pool.**

Background:

The state of New Mexico's participating government investment fund, known as the New MexiGROW Local Government Investment Pool or LGIP, was established under NMSA 1978, Section 6-10-10.1. The LGIP is a short-term investment fund, consisting of deposits from governmental entities and Indian tribes or pueblos. The authorizing statute offers eligible participating governments a voluntary investment option that is intended to safely generate market returns by utilizing the purchasing power of a large pooled fund.

The LGIP is held in the custody of the State Treasurer, who invests the pooled funds as allowed under state statute with the advice and consent of the State Board of Finance. The fund is managed internally by the State Treasurer's professional portfolio managers. Investment activity and performance are reported monthly to the State Board of Finance and to the State Treasurer's Investment Committee, also known as STIC. STIC is composed of the State Treasurer, the Treasurer's Chief Investment Officer, the director of the State Board of Finance, and two public members form the investment community selected by the Treasurer and the State Board of Finance. The State Treasurer's monthly investment reports are posted regularly on the state Treasurer's Office (STO) website.

Section 6-10-10.1of the N.M.S.A. establishes guidelines applicable to the investment of funds deposited in the LGIP. This statute requires that the portion of the LGIP invested in short-term investments be rated by a nationally recognized statistical rating organization and maintain a rating of AAA, the State Treasurer also immediately submits a plan to the State Board of Finance detailing the steps that will be taken to obtain a AA or higher rating. The LGIP adheres to all criteria relevant to its rating category and provides to the rating agency any key policy or staff changes.

The District's investment policy which was adopted and incorporated into the Financial Policies is attached hereto. Overall the District's investment strategy is passive. The benchmark for the District's investments is the 90 Day U.S. Treasury Bill or the treasury security that most closely matches the duration of the portfolio. To date the Districts funds have simply been placed in an interest bearing account with Los Alamos National Bank. The funds are collateralized at 100% which exceeds the requirement within the District's policy

and state law. The District's investment policy identifies the LGIP described in Section 6-10-10,1 N.M.S.A. maintained by the State of New Mexico as a permitted investment.

Meeting with State Treasurer's Office Staff:

On October 10, 2013 the Finance subcommittee and RTD Staff met with the New Mexico State Treasurer's staff members to review the possibilities for participation in LGIP for the District. In brief the meeting was productive and gave the committee an idea of what LGIP had to offer. LGIP is a tool local governments and districts can utilize for short term investments as an alternative to less risky investments such as CD's and Treasury bills. The State Treasurer has particular types of investments that establish certain prerequisites, limitations and other requirements related to those investments. Moreover, the State Treasurer may further limit or restrict those investments. The securities that the LGIP buys all provide a yield relative to the federal funds rates.

The LGIP Investment objectives are as follows:

1) Safety
    a) Maintain Stable Net Asset Value
    b) Put in a Dollar: Get a Dollar Out + Interest
    c) AAAm Rating-Statute Requires AA
2) Liquidity
    a) Cash Available within 24-48 Hours of Notice
3) Yield
    a) NOT at the expense of the two objectives above.

The LGIP primary focus is on safety and security with the availability of funds to the investor if and when needed. Yield is currently is not there primary objective, thus a majority of the investments are in short term investment instruments. Currently the LGIP % of pool investments maturities are as follows:

- 34% in Over Night
- 14% in 1 month
- 29% in 1-3 months
- 5% 3-6 months
- 6% 6-9 months
- 12% 9+ months

A majority of the Securities Holdings are tied into the US Government holdings which inherits their safety. The Securities/Holdings are as follows:

- 19%-Treasury
- 41%-Agency
- 2% FDIC Insured

- 6% Supranational
- 0% Corporate
- 32% Overnight Bank Deposits
- 0% Repo

The LGIP did disclose to the District that their annual rate of return is close to the .18% to .21% with the fee of 5 basis points which is included in the annual yield.

Alternative investments:

The staff has conducted research on alternative investments that carry a higher yield and that complies with NCRTD investment policy. Alternatives to LGIP investments would be to have the District invest in simple secured assets such as Certificate of Deposits through a Federal insured institution (Bank), and extend the term of the investment, that would not create an extended amount of staff time and thus eliminating the use of a portfolio manager to manage the assets. The extension of the term would also restrict the district in utilizing the funds immediately (24 to 48 hours) as offered with LGIP.

A treasury bill is a bond, with an interest-bearing certificate that is issued by a government or business promising to pay the holder a specified sum on a specified date. Treasury bills (T-bills) are short-term securities that mature in one year or less. The District would buy them for less than par (face) value. When the bill matures, the District receives par value. Both securities pay interest every six months until maturity when the full face value of the note is due. The availability to purchase treasury bills is also available for purchase through LGIP. Otherwise can purchase them via auction.

Recommendation:

It is recommended that the Finance Committee discuss and review the information presented by LGIP and NCRTD staff as to diversification of investments such as CD's and treasury bills. The staff further recommends that the funds be diversified based up the general following percentage allocates:

1. Liquidity/availability within 24-48 hours at 40% of available funds (savings, checking and LGIP);
2. 60% of available funds in CD's or T-bills that have a higher yield and the same security but less liquidity and a term of 12 months or less.
3. The specific breakdown would be as follows:
    - Savings and Checking account LANB at 12% of budgeted revenue with collateralization at no less than 100% of current market value. State law requires at least 50%.
    - LGIP investment pool at 28% of available funds.
    - CD's and Treasury bills at 60% of available funds.

It is further recommended that the Finance Subcommittee recommend that the Board of Directors consider passage of a resolution authorizing application to the Local Government Investment Pool (LGIP) for participation, certifying the Finance Director of the NCRTD, through the Executive Director as authorized signatories to conduct transactions in respect to the LGIP.

Attachment:

- New Mexico State Treasurer's Office- New MexiGrow Local Government Investment Pool (LGIP), LGIP Participant Manual
- North Central Regional Transit District-Investment Policy
- Standard & Poor's Pool Profile for NM LGIP-AAA as of March 25, 2013

Volume

1

NEW MEXICO STATE TREASURER'S OFFICE

New MexiGROW Local Government Investment Pool (LGIP)

LGIP Participant Manual

NEW MEXICO STATE TREASURER'S OFFICE - JAMES B. LEWIS, TREASURER

New MexiGROW LGIP

This Manual is intended to summarize current policies of the New Mexico State Treasurer's Office and is not intended to establish any policies. Only policies adopted by the State Treasurer's Office in accordance with statute and the State Treasurer's Investment Policy control the management of the *New MexiGROW* Local Government Investment Pool (*New MexiGROW* LGIP). This Manual is not intended to and does not give rise to any additional rights or remedies and is not a contract. The State Treasurer's Office reserves the right to change, delete or amend any policy or procedure unilaterally and without notice.

New MexiGROW LGIP deposits are not guaranteed or insured by any bank, the state of New Mexico, the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other agency. *New MexiGROW* LGIP deposits involve certain investment risks. Yield and total return may fluctuate and are not guaranteed.

Kirene M. Bargas, New Mexi*GROW* LGIP Bureau Chief
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Phone 505-955-1136 • Fax 505-955-1180

Table of Contents

New MexiGROW LGIP 3
State Treasurer's Investment Authority and Policy 3
Participation in the LGIP 6
Investment of Pool Funds 6
Management of Investment of Funds 6
Interest on Investment 6
Net Asset Value 7
Separation of Participant Money from Other Public Money in the Investment Pool 7
Cost of Participation in the Pool 7
Steps to Become a Participant 8
Investment of a Minimum Amount 8
Risk 8
Custodian for *New MexiGROW* LGIP 9
Ratings 9
Independent Auditor 9
Availability of Participant Funds 9
- Contributions 10
- Withdrawals 10
- Withdrawal Guidelines 11
- Stability Protection 11

Chapter 1

LGIP Participant Manual

New MexiGROW LGIP

The state of New Mexico's participating government investment fund, known as the *New MexiGROW* Local Government Investment Pool or the LGIP, is established under NMSA 1978, Section 6-10-10.1. The LGIP is a short-term investment fund, consisting of deposits from governmental entities and Indian tribes or pueblos. The authorizing statute offers eligible participating governments a voluntary investment option that is intended to safely generate market returns by utilizing the purchasing power of a large, pooled fund.

The LGIP is held in the custody of the State Treasurer, who invests the pooled funds as allowed under state statute with the advice and consent of the State Board of Finance. The fund is managed internally by the State Treasurer's professional portfolio managers. Investment activity and performance are reported monthly to the State Board of Finance and to the State Treasurer's Investment Committee, also known as STIC. STIC is composed of the State Treasurer, the Treasurer's Chief Investment Officer, the director of the State Board of Finance, and two public members from the investment community selected by the Treasurer and the State Board of Finance. The State Treasurer's monthly investment reports are posted regularly on the State Treasurer's Office (STO) website at www.stonm.org.

State Treasurer's Investment Authority and Policy

The scope of the State Treasurer's investment authority is defined by the applicable investment statutes and constitutional provisions, principally NMSA 1978, Sections 6-10-10, 6-10-25, 6-10-26, 6-10-37, 6-10-44 and 6-14-10.1, as well as Article VIII, Section 4 of the New Mexico Constitution. Statutes specify the particular types of investments that may be made by the State Treasurer and establish certain

prerequisites, limitations and other requirements related to those investments. Moreover, the State Treasurer may further limit or restrict those investments.

Section 6-10-10.1 establishes guidelines applicable to the investment of funds deposited in the LGIP. This statute requires that the portion of the LGIP invested in short-term investments be rated by a nationally recognized statistical rating organization and maintain a rating of AA or higher. If the rating received by the LGIP is lower than AA, the State Treasurer shall immediately submit a plan to the State Board of Finance detailing the steps that will be taken to obtain a AA or higher rating. The LGIP adheres to all criteria relevant to its rating category and provides to the rating agency any key policy or staff changes.

In addition to applicable state statutes, the State Treasurer's Investment Policy governs the investment functions of the State Treasurer. The Investment Policy is approved by the State Board of Finance and sets forth investment guidelines for all STO investments. Pursuant to the Policy, all investments made by the STO adhere to the fundamental principles of safety, liquidity, and return in that order.

The Investment Policy further requires the STO to diversify its investment portfolios. Assets are diversified to reduce the risk of loss resulting from an over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

The following investment and diversification limitations are imposed on the LGIP to comply with the Investment Policy and to maintain the fund rating:

- Allowable investments include U.S. Government obligations, commercial paper (with credit ratings of A-1, P-1, F1, or better), corporate bonds (rated A+ or better), asset-backed obligations, repurchase agreements, variable rate notes, New Mexico municipal bonds, and money market funds registered with the Securities and Exchange Commission (SEC).

- Investments in commercial paper, corporate bonds and asset-backed obligations shall not exceed 40 percent of total LGIP assets.

- Investments in commercial paper or corporate bonds of any single issuer shall not exceed 5 percent of the total LGIP portfolio. Investment in U.S. Agency securities issued by any

single issuer shall be limited to 33.33 percent of the total LGIP portfolio.

- Investment in a SEC-registered, AAA-rated money market fund shall not represent more than 5 percent of the total assets of that fund and no more than 25 percent of the LGIP portfolio.

- Investment in repurchase agreements with a single A-1 rated counterparty shall be limited to 25 percent of total pool assets. Flexible repurchase agreements are not allowable investments for the LGIP portfolio.

- The weighted average maturity, or WAM, of the portfolio shall be 60 days or less. Portfolio maturities are laddered to avoid undue concentration of assets in a specific maturity sector and to accommodate anticipated cash flow requirements.

- The portfolio shall maintain a minimum of 50 percent of total assets in A-1+ rated securities and a maximum of 50 percent in A-1 rated securities. Repurchase agreement counterparties must have a A-1 or better rating; money market funds used as investments must be AAA rated; commercial paper investments shall be rated A-1+.

- The State Treasurer's Investment Policy mandates that the Pool be invested to maintain a stable net asset value of $1.00 per share. Should the portfolio experience a fluctuation in net asset value that drops below 0.9975 cents per share, the State Treasurer's Office is required by policy to notify the State Treasurer's Investment Committee.

- The final maturity of fixed-rate investments of the Pool shall not exceed 397 days, and the recorded maturity date of callable investments shall be the stated final maturity rather than the call date.

- The STO is required to procure or develop and maintain a shareholder accounting system for the Pool to account for deposits, withdrawals, and interest distributions. To meet this mandate, the STO has implemented the QED Information System, which is an investment accounting and tracking software application.

- Income is equal to accrued interest, plus or minus realized gains or losses, less an administrative fee. The administrative fee is recognized as revenue to the State General Fund. Section 6-10-10.1 directs the State Treasurer to use the administrative fee for the administration and management of the LGIP subject to appropriation by the state legislature.

Participation in the LGIP

Section 6-10-10.1, NMSA 1978 allows eligible participating governments to make deposits in the LGIP with the approval of their governing bodies. Eligible participants include, but are not limited to, school districts, post-secondary educational institutions, special purpose districts, cities and counties, and Indian tribes and pueblos.

Investment of Pool Funds

The scope of the State Treasurer's investment authority is defined by the applicable investment statutes and constitutional provisions, principally NMSA 1978, Sections 6-10-10, 6-10-25, 6-10-26, 6-10-37, 6-10-44 and 6-14-10.1, as well as Article VIII, Section 4 of the New Mexico Constitution. Statutes specify the particular types of investments that may be made by the State Treasurer and establish certain prerequisites, limitations and other requirements related to those investments. Moreover, the State Treasurer may further limit or restrict those investments. Section 6-10-10.1 establishes guidelines applicable to the investment of funds deposited in the LGIP.

Management of Investment of Funds

The State Treasurer's Office Local Government Investment Pool Bureau manages the investments, tracks participant activity, and computes and distributes participant investment earnings. Investment earnings are based upon a participant's account balance and the average term that a deposit is held in the Pool. Professional investment portfolio managers coordinate and execute investment trades utilizing online trading platforms, Bloomberg and TradeWeb in compliance with the State Treasurer's Investment Policy.

Interest on Investment

The Local Government Investment Pool Bureau provides daily an interest rate that estimates the daily return on LGIP deposits along with informational current rates for short-term investments offered by the

U.S. Treasury. The daily rate may be obtained by calling the STO at (505) 955-1171 or visiting the STO website at www.stonm.org. Interest income is distributed monthly via automated clearing house (ACH) transaction or is reinvested no later than the fifth working day of the following month. Monthly income shall be equal to accrued interest, plus or minus realized gains or losses, less an administrative fee. The actual interest rate is a blended yield of the investment holdings determined at the end of the accounting period (month end). Interest is earned on the business day of deposit, once a deposit is verified to have been received into the LGIP bank account and has met all deposit requirements set forth by the LGIP Bureau. Once a withdrawal is processed the amount withdrawn no longer receives interest on said amount on the date of withdrawal.

Net Asset Value

The State Treasurer's Investment Policy mandates that the LGIP be invested to maintain a stable net asset value of $1.00 per share. Should the portfolio experience a fluctuation in net asset value that drops below 0.9975 cents per share, the State Treasurer's Office is required by policy to notify the State Treasurer's Investment Committee.
The LGIP is designed and managed to maintain a net asset value of $1.00 and allows for investment of funds that may be needed by participants at any time.

Separation of Participant Money from Other Public Money in the Investment Pool

Participating governments' invested funds are pooled for investment purposes but are accounted for and reported separately, as required by statute. All interest earned from investment of LGIP assets is distributed to a participant in an amount directly proportionate to their respective amount on deposit in the Pool and the length of time the amount on deposit is invested.

Cost of Participation in the Pool

By law, the STO may charge a fee to participants in the LGIP. A nominal fee is assessed at the end of each month for administrative expenses and services necessary to operate the pool. The fee is assessed based on the average daily balance of the participant balance.

Steps to Become a Participant

An eligible governing body must, by resolution, authorize participation in the LGIP. A copy of the resolution, an application form, and a certificate with signatures of persons authorized to conduct transactions are forwarded to the STO. Upon receipt of the completed documents, STO accepts a deposit into the LGIP. LGIP participant forms are available on the STO website at www.stonm.org.

Before the funds of an eligible governing body may be invested or reinvested in the LGIP, it is the responsibility of the eligible governing body to comply with NMSA 1978, 6-10-36, if applicable, and any other statutes or policies that may apply to the eligible governing body.

Investment of a Minimum Amount

$5,000.00 is the minimum amount needed to participate in the Pool. If special circumstances require investment of smaller amounts, the STO requires a written explanation of the circumstances prior to acceptance of a participant's deposit.

Risk

All investments purchased for the LGIP have a credit rating of A or better to ensure the highest level of safety. All U.S. Government securities are rated AAA and commercial paper qualifying for investment is rated A-1+. The STO is required by law to have overnight repurchase agreements secured at 102 percent by U.S. Treasury and Agency securities. Additionally, the LGIP requires that repurchase counterparties be rated A-1 or better.

New MexiGROW LGIP deposits are not guaranteed or insured by any bank, the State of New Mexico, the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other agency. *New MexiGROW* LGIP deposits involve certain investment risks. Yield and total return may fluctuate and are not guaranteed. Prior to making investment decisions, participants should consider market risk, interest rate risk, and credit risk in determining whether an investment is appropriate.

A detailed description of risk reportable under GASB Statement No. 40 is available to download from the STO website at www.stonm.org, at the "*New MexiGROW* LGIP" tab and the "GASB 40 Disclosure" subtab.

Custodian for *New MexiGROW* LGIP

The state's fiscal agent bank contracts with a third-party custodian to hold all purchased securities along with the required pledged collateral on the overnight repurchase agreements.

Ratings

Section 6-10-10.1 requires the portion of the LGIP invested in short-term investments be rated by a nationally recognized statistical rating organization and maintain a rating of AA or higher. If the rating received by the LGIP is lower than AA, the State Treasurer shall immediately submit a plan to the State Board of Finance detailing the steps that will be taken to obtain a AA or higher rating.

The ongoing rating process involves a review of the STO's internal controls, investment policies and procedures, portfolio inventory, and the fund manager's experience. The *New MexiGROW* LGIP is rated AAAm. The LGIP adheres to all criteria relevant to its rating category and provides to the rating agency any key policy or staff changes.

Independent Auditor

The STO is subject to annual review and audit by an independent auditor and the New Mexico State Auditor. The annual audits for the fiscal years ended June 30, 2006, 2007 and 2008 are downloadable from the STO website at www.stonm.org.

Availability of Participant Funds

When depositing money in excess of $20 million into the LGIP, participants must notify the LGIP bureau of the length of time the deposit will be in the Pool. Participant funds of amounts less than $30 million may be withdrawn within 24 hours. Withdrawal requests in excess of $30 million require 48-hours notice to the STO. Only those persons authorized on a participant's LGIP application shall conduct transactions for a participant's account. All forms associated with participant deposits or withdrawals are available on the STO website at www.stonm.org.

The following procedures must be followed in order for participants to deposit or withdraw funds from the LGIP portfolio.

Notification of the intent to submit a transaction form must be provided to STO via phone, email, or fax.

Contribution and withdrawal forms must be completed, signed by the authorized person, and sent to STO via fax or email.

Participants are responsible for providing accurate banking instructions to the LGIP Bureau. Participants are also responsible for updating account information a minimum of once a year. Participants should also ensure that their contact information is updated as necessary.

STO Contact information:

- LGIP Bureau Fax: (505) 955-1180

- Hannah Chavez, LGIP Accountant
  Phone: (505) 955-1154
  Email: Hannah.chavez@state.nm.us

- Kirene M. Bargas, LGIP Bureau Chief
  Phone: (505) 955-1136
  Email: Kirene.bargas@state.nm.us

Contributions

Once a participant provides the proper documentation to LGIP, the participant must contact their respective financial institution to implement the transaction. When the STO receives funds from the participant's financial institution, a deposit is made into the LGIP bank account. The transaction is then entered into the participant's LGIP account and the funds are available for withdrawal.

Withdrawals

Once a participant provides the proper documentation of a withdrawal to the LGIP Bureau, the request will be reviewed for acceptance by the LGIP Accountant. Upon acceptance, the LGIP Accountant will process the request through the LGIP Financial system.

The LGIP Bureau will transfer funds based on the banking information provided to the LGIP Bureau. All of the following withdrawal guidelines must be followed by LGIP participants:

Withdrawal Guidelines

- Amounts less than $30 million may be withdrawn within 24 hours of notice to the STO;
- Amounts of $30 million to $60 million require 48-hours notice to the STO; and
- Amounts in excess of $60 million require notice of 5 business days to the STO.

Funds are withdrawn from the Pool one business day prior to transfer to maintain the liquidity of the Pool for all participants.

With prior approval by the LGIP Bureau Chief or a designee, participant withdrawals made within the 24-hour limitation will be treated as an emergency withdrawal. Participants will be charged an emergency withdrawal fee to cover the cost of the emergency wire. Emergency withdrawal requests must follow the withdrawal procedure outlined above and must include a letter explaining the emergency. The LGIP Bureau reserves the right to decline any emergency withdrawals.

Stability Protection

Notwithstanding the withdrawal guidelines, the STO reserves the right to limit participant withdrawals if the State Treasurer determines that doing so is required to ensure the stability of the LGIP.

North Central Regional Transit District

Investment Policy

New Mexico State Treasurer's Office

Investment Division Bureau

Glenda Aragon *Finance Manager* **North Central Regional Transit District** 1327 North Riverside Drive Española, NM 87532 Email: glendaa@ncrtd.org **www.ncrtd.org** Office: 505.629.4701 Fax: 505.747.6647 Toll free: 866.206.0754	**Anthony Mortillaro** *Executive Director* **North Central Regional Transit District** 1327 North Riverside Drive Española, NM 87532 Email: anthonym@ncrtd.org **www.ncrtd.org** Office: 505.629.4713 Fax: 505.747.6647 Toll free: 866.206.0754

Daniel Barrone

Chair

Anthony J. Mortillaro

Executive Director

Governmental
Board of Directors

City of Española

City of Santa Fe

Town of Edgewood

County of Rio Arriba

County of Santa Fe

County of Los Alamos

County of Taos

Nambe` Pueblo

Ohkay Owingeh Pueblo

Santa Clara Pueblo

Pueblo of Pojoaque

Pueblo of Tesuque

Pueblo de San Ildefonso

Investment Policy

It is the policy of the NCRTD to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all state statutes governing the investment of public funds.

Delegation of Authority

Responsibility for the management of the District's investment portfolio is delegated to the Districts Finance Manager by the Executive Director. The District's Finance Manager will establish and maintain written procedures for the operation of the cash management and investment program consistent with this policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Manager.

Prudent Person Rule

Investments on behalf of the District will be made in accordance with the "prudent person" rule; i.e. investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Scope of Policy

Unless otherwise noted, this investment policy will apply in its entirety to all monies of the District over which it has direct control as well as those funds that the District is responsible for as custodian and/or trustee.

Investment Objectives

The District seeks to balance three primary objectives for its cash portfolio:

- Maintaining sufficient liquidity to meet financial obligations;
- Earning a market rate of return (subject to permitted investment constraints); and
- Diversifying investments among asset classes to ensure safety of principal.

The liquidity goal is achieved by matching investment maturities with the expected timing of obligations. Attainment of a market return is measured by benchmarking the portfolio against a relevant market index. Diversification (safety) is accomplished through implementation of a strategic asset allocation, derived from modern portfolio theory concepts.

Performance Standards

The Districts' objective is to obtain a market average rate of return throughout budgetary and economic cycles that corresponds with invest risk constraints and cash flow needs.

The Districts investment strategy is passive. Given this strategy, the Finance Manager shall determine whether market yields are being achieved by comparing the average District portfolio yield to the 90 day U.S. Treasury Bill or the treasury security that most closely matches the duration of the portfolio.

Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and officials who are involved in investing public funds or have the authority to decide how public funds are invested shall disclose to the District Board any material financial interests in financial institutions that conduct business within the Districts jurisdiction, and they shall further disclose the conduct of personal business with, receipt of pecuniary benefit from, or financial interest they have in any entities in which investments are being made.

1. Permitted Investments (any investment not mentioned herein is prohibited)

    i. Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by , the United States of America or certificates or receipts established by the United States government or its agencies or instrumentalities representing direct ownership of future interest or principal payments on direction obligations of, or obligations fully guaranteed by, the United States of America or any of its agencies or instrumentalities, the obligations of which are backed by the full faith and credit of the United States.
    ii. Accounts, certificates of deposit and time deposits with banks and savings banks located in the District's service area provided that the collateral securing the investment permitted by this paragraph, are secured by the FDIC.
    iii. Bonds or securities of the State of New Mexico or of any agency or political subdivision or school district thereof which has a taxable valuation of real property for the last year of at least one million dollars and has not defaulted in the payment of interest or sinking fund obligation or failed to pay any bonds at maturity at any time within five years preceding the date of investment.
    iv. The "short-term investment fund" described in Section 6-10-10.1 N.M.S. A. 1978 or other similar pooled funds maintained by the State of New Mexico for the investment of public funds of the local public bodies of the state.
    v. Shares of pooled investment funds managed by the state investment officer, as provided in Subsection (G) of Section 6-7-8 NMSA 1978.
    vi. Any other investment permitted at the time of the investment by a statue of the State of New Mexico for public entities.

2. Funds available for investment for more than one year, including monies appropriated to permanent and irrevocable trust funds may be invested as provided in Section 6-10-10.G NMSA 1978. The Investment Officer shall conduct a thorough investigation prior to investing in any pool or fund and on a continuing basis once an investment is made. Information gathered will include a written statement of policy and objectives, eligible securities, interest calculation and distribution, securities settlement and safekeeping, handling gains/losses, audit opinions, and fee schedules and statements.

3. Collateralization

New Mexico state law require that all certificates of deposit, money market, checking accounts, and any other investments not backed by the full faith and credit of the United States Government, other than investments in the New Mexico State Investment Council long-term investment funds, be secured by pledged collateral of at least 50 percent of the current market value. This collateral will be pledged in the name of the District and held by a third party institution, Federal Reserve Bank, or by a trust institution within the same bank as approved by the Financial Manager. The institution will issue safekeeping receipts to the District for securities held by a third party. The District will require that at all times; pledged collateral will be equal to, or greater than, 50 percent of the current market value of the Districts' applicable investments.

4. Selection of appropriate Investments

    i. Individual investments are selected to meet anticipated cash flow requirements and provide adequate liquidity. Within this cash flow perspective, the investment manager will select those securities that will best meet the District's overall portfolio strategy.

    ii. Criteria for selecting investments and the order of priority are:

        1. Safety. The safety and risk associated with an investment refers to the potential loss of principal, interest or a combination of these amounts. The objective is to select only those investments that seek to ensure the preservation of capital in the overall portfolio and to mitigate credit risk and market risk.

        2. Liquidity. This refers to the ability to "cash in" at any moment in time with a minimal chance of losing principal or interest. Liquidity is an important investment quality, especially when the need for unexpected funds occurs. The objective is to remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated within one hundred and eighty (180) days.

        3. Yield. Yield is the potential dollar earnings an investment can provide, also referred to as the rate of return. The objective is to attain

a rate of return that equals or exceeds the yield for the three month treasury bill.

5. Diversification

The District will diversify its use of investment instruments to eliminate nonsystematic risk. Strategic and tactical asset allocations shall be determined and revised periodically. In establishing asset allocations strategies, the following general policies and constraints shall apply: Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity range. With the exception of U. S. Treasury securities and authorized pools, no more than 50% of the total investment portfolio will be invested in a single sector or with a single financial institution or in a single maturity range. Maturities selected shall provide for stability of income and reasonable liquidity.

1. Liquidity shall be assured through practices ensuring that the next disbursement date and payroll date are covered through maturing investments.
2. Interest rate risk shall be controlled through duration management such that overall portfolio duration is set to a target based on existing market interest rates and rate expectations.

Selection of Brokers/Dealers

The Financial Manager shall develop and maintain a list of banks and securities dealers approved for securities transactions initiated by the district, and it shall be the policy of the District to purchase securities only from those authorized firms. To be eligible, a firm must meet at least one of the following criteria:

1. Be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a Primary Dealer within its holding company structure,
2. Report voluntarily to the Federal Reserve Bank of New York,
3. Qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

The Finance Manager will select broker/dealers on the basis of their expertise in public investing and their ability to provide service to the Districts account. Each authorized broker/dealer shall be required to submit and annually update a District approved Broker/Dealer Information Request form that includes the firm's most recent financial statements.

Approved broker/dealers shall attest in writing that they have received and read this Policy.

Safekeeping and Transaction Settlement

The Financial Manager shall approve one or more financial institutions to provide securities safekeeping services for the District. All investment securities purchased by the District will be held in third-party safekeeping by the District's safekeeping agent. The District's safekeeping agent will be required to furnish the District a list of holdings on at least a monthly basis. The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. Ownership of all securities shall be perfected in the name of the District. Sufficient evidence to title shall be consistent with modern investment, banking, and commercial practices.

Competitive Transactions

Securities purchases and sales will be executed after obtaining at least two competitive bids or offerings whenever feasible. If the District is offered a security for which competitive offerings cannot be obtained, quotations for comparable securities will be documented

STANDARD & POOR'S RATINGS SERVICES

POOL PROFILE

March 25, 2013

New Mexico Local Government Investment Pool

Principal Stability Fund Ratings Definitions

AAAm A fund rated 'AAAm' demonstrates extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk.
'AAAm' is the highest principal stability fund rating assigned by Standard & Poor's.

AAm A fund rated 'AAm' demonstrates very strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. It differs from the highest-rated funds only to a small degree.

Am A fund rated 'Am' demonstrates strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk, but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than funds in higher-rated categories

BBBm A fund rated 'BBBm' demonstrates adequate capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. However, adverse economic conditions or changing circumstances are more likely to lead to a reduced capacity to maintain principal stability.

BBm A fund rated 'BBm' demonstrates speculative characteristics and uncertain capacity to maintain principal stability. It is vulnerable to principal losses due to credit risk. While such funds will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

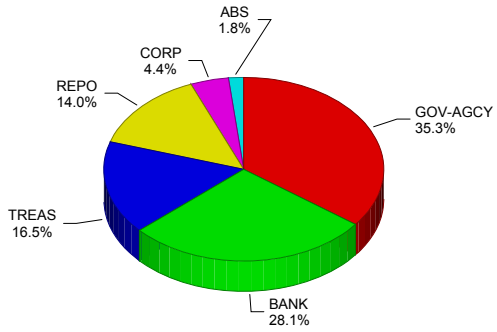
Dm A fund rated 'Dm' has failed to maintain principal stability resulting in a realized or unrealized loss of principal.

Plus (+) or Minus (-)
The ratings may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

About the Pool

Pool Rating	**AAAm**
Pool Type	Stable NAV Government Investment Pool
Investment Adviser	New Mexico State Treasury
Portfolio Manager	Kirene M. Bargas (Since 2007) Vikki Hanges (Since 2011)
Pool Rated Since	August 2006
Distributor	New Mexico State Treasury

Portfolio Composition as of March 25, 2013



GOV-AGCY - Agency and Government; BANK - Bank Deposits; TREAS - Treasury; REPO - Repurchase Agreement; CORP - Corporate; ABS - Asset-backed security

Rationale

Standard & Poor's rates the New Mexico Local Government Investment Pool (LGIP) 'AAAm'. This rating demonstrates that the fund has an extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. This is achieved through prudent internal controls and investment policies. The rating is based on Standard & Poor's analysis of the pool's credit quality, market price exposure, and management. Standard & Poor's monitors the pool's portfolio holdings on a weekly basis.

Overview

The New Mexico Local Government Investment Pool was established in 1991 as a short-term investment pool. The investment objective of the LGIP is to adhere to three fundamental policies: offer safety, provide liquidity, and generate returns. Participating entities include local governments (cities, counties, townships, villages), school districts, higher education institutions, special districts, and quasi-state agencies.

Management

The State Treasurer's Office (STO) operates the LGIP for the use and benefit of New Mexico's communities. Within the STO, a team of professionals are involved with management of this pool. The individuals dedicated to the LGIP on a daily basis include the LGIP portfolio manager, investment division bureau chief, and the investment transaction analysts. They are supplemented by oversight from the chief investment officer. The LGIP portfolio manager, chief investment officer, and the investment division bureau chief comprise the internal investment advisory team, which analyzes and selects all investment activity. The STO reports monthly to the state treasurer's investment committee, which is comprised of the state treasurer, the chief investment officer, the director of the state board of finance, and two private-sector members from the investment community. In addition, on a monthly basis, STO reports the LGIP investment and cash activity to the state board of finance, which is comprised of the governor, the lieutenant governor, the state treasurer, and four appointed members, and is the oversight board for the treasurer's office.

Portfolio Assets

All investments within the New Mexico Local Government Investment Pool are governed by the State Treasurer's Investment Policy and approved by the New Mexico State Board of Finance, which sets state investment guidelines. Management's intent is to offer public entities an investment option that is safe and liquid, and that will perform competitively with national governmental money-market funds. All investments made by the state treasurer adhere to the three aforementioned fundamental principles. In adhering to these principles and statues, investments for the LGIP consist of an array of highly-rated securities such as U.S. government agency securities, direct issues of commercial paper, repurchase agreements, and other bank deposits. All repurchase agreements will be with highly-rated counterparties and over-collateralized with U.S. government or agency securities.

Standard & Poor's Analyst: Peter Rizzo - 212-438-5059 www.standardandpoors.com

Participants should consider the investment objectives, risks and charges and expenses of the pool before investing. The investment guidelines which can be obtained from your broker-dealer, contain this and other information about the pool and should be read carefully before investing.

Principal Stability Rating Approach and Criteria

A Standard & Poor's principal stability fund rating, also known as a "money market fund rating", is a forward-looking opinion about a fixed income fund's capacity to maintain stable principal (net asset value). When assigning a principal stability rating to a fund, Standard & Poor's analysis focuses primarily on the creditworthiness of the fund's investments and counterparties, and also its investments' maturity structure and management's ability and policies to maintain the fund's stable net asset value. Principal stability fund ratings are assigned to funds that seek to maintain a stable or an accumulating net asset value.

Generally, when faced with an unanticipated level of redemption requests during periods of high market stress, the manager of any fund may suspend redemptions for up to five business days or meet redemption requests with payments in-kind in lieu of cash. A temporary suspension of redemptions or meeting redemption requests with distributions in-kind does not constitute a failure to maintain stable net asset values. However, higher rated funds are expected to have stronger capacities to pay investor redemptions in cash during times of high market stress because they generally comprise shorter maturity and higher quality investments.

Principal stability fund ratings, or money market fund ratings, are identified by the 'm' suffix (e.g., 'AAAm') to distinguish the principal stability rating from a Standard & Poor's traditional issue or issuer credit rating. A traditional issue or issuer credit rating reflects Standard & Poor's view of a borrower's ability to meet its financial obligations. Principal stability fund ratings are not commentaries on yield levels.

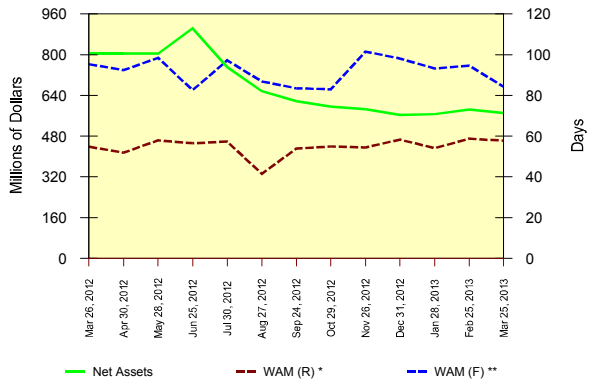
New Mexico Local Government Investment Pool — *AAAm*

Data Bank as of March 25, 2013

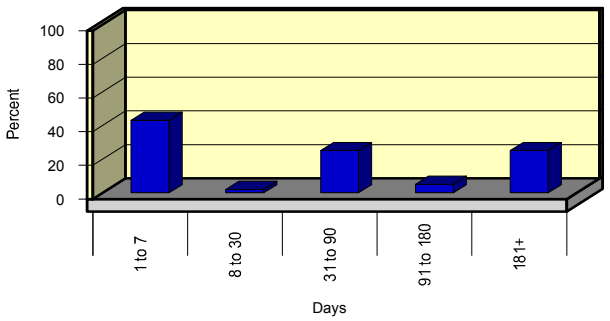
Net Asset Value per Share.....	$0.99982	Net Assets (millions).....	$571.41	Inception Date.....	August 2006
WAM (R) *	58 days	WAM (F) **.....	84 days	7 Day Yield.....	0.10%

* Weighted Average Maturity (Reset) ** Weighted Average Maturity (Final)

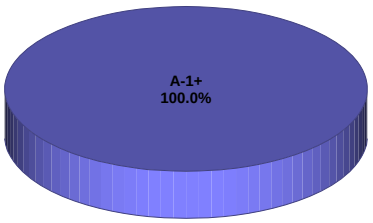
Net Assets, WAM (R) and WAM (F)



Portfolio Maturity Distribution as of March 25, 2013

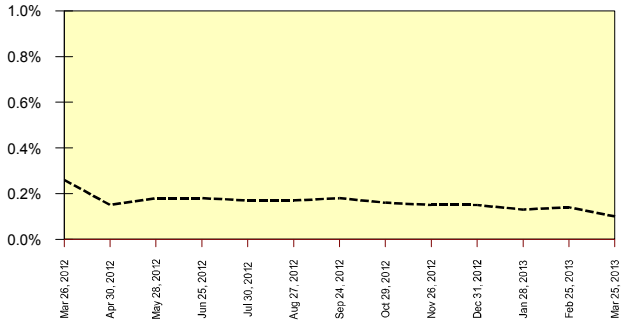


Portfolio Credit Quality as of March 25, 2013 *



*As assessed by Standard & Poor's

Portfolio 7 Day Net-Yield



The yield quoted represents past performance. Past performance does not guarantee future results. Current yield may be lower or higher than the yield quoted.

Pool portfolios are monitored weekly for developments that could cause changes in the ratings. Rating decisions are based on periodic meetings with senior pool executives and public information.

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Memorandum

To: Finance Subcommittee

From: Anthony J. Mortillaro, Executive Director

Date: October 9, 2013

Re: Modification of Reserve Fund Policies and Long Range Financial Plan – Moderate Scenario

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Background: At the September 27 meeting of the Finance Subcommittee there was a request that staff bring to the next meeting a review of the Long Range Financial Plan Moderate Case Scenario and modification of the reserve fund policy for discussion. The Moderate Case Scenario was adopted in 2011 when the Board accepted the Long Range Financial Plan. The District has used this scenario for our long range planning purposes.

Recommendation: Staff recommends that the Finance Subcommittee review and recommend to the Board adoption of the revised reserve fund policy.

Attachments:

Moderate Case Scenario Updated
Long Range Financial Plan
Financial Policies with revised reserve fund policy

10/17/2013

Long Range Financial Plan - Moderate Case Scenario

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenues	**Actual**	**Actual**	**Budget**	**Projected**									
RTD GRT Revenue	7,128,176	6,871,270	6,720,765	6,922,388	7,130,060	7,343,961	7,564,280	7,791,209	8,024,945	8,265,693	8,513,664	8,769,074	9,032,146
Federal Capital Funds	609,541	303,929	96,000	912,900	418,400	1,783,320	700,800	557,600	722,400	701,600	524,000	321,600	400,000
Federal Funds 5311/5316	1,054,113	1,395,620	1,370,149	1,411,253	1,439,479	1,468,268	1,497,633	1,527,586	1,558,138	1,589,301	1,621,087	1,653,508	1,686,579
Federal Funds 5304			151,250										
Capital Outlay (State/Fed)	866,856		170,000	60,000									
LA GRT	600,000	500,000	450,000	400,000									
Tribal Transit	4,749	314,386											
Miscellaneous (fares, TAP $)	33,702	99,898	373,800	124,266									
Cash Balance Carry over for Capital		321,215											
Total Operating Revenues	10,297,137	9,806,318	9,331,964	9,830,807	8,987,938	10,595,549	9,762,714	9,876,395	10,305,483	10,556,594	10,658,751	10,744,182	11,118,725

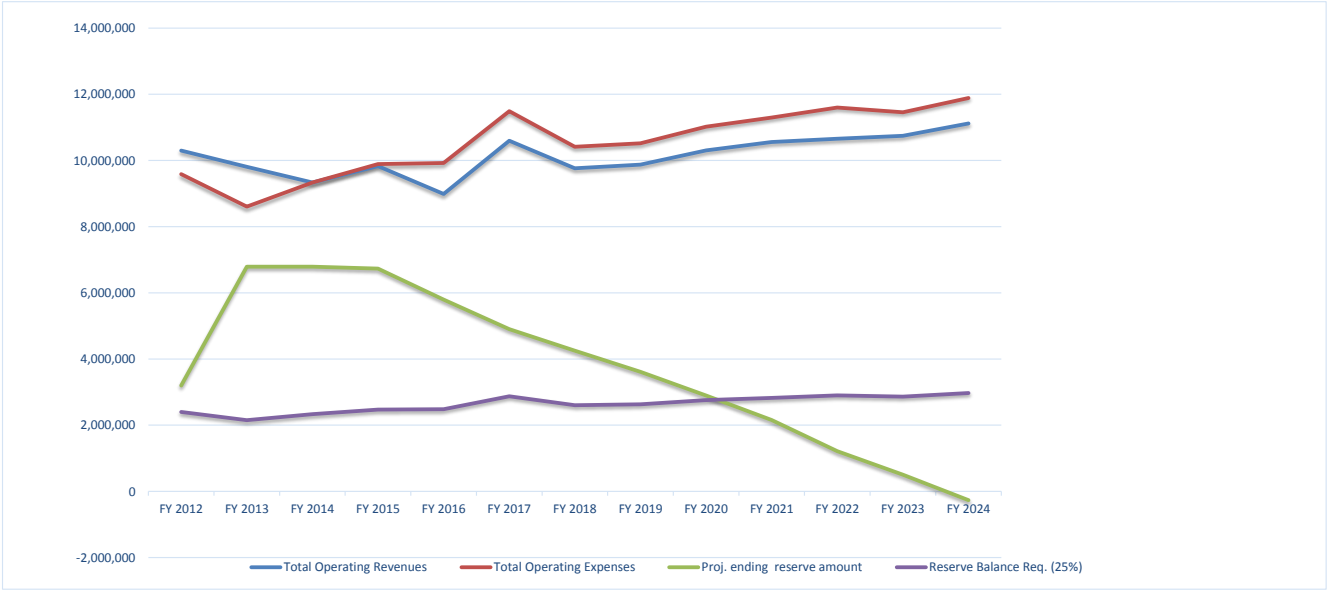
Operating Expenses	**Actual**	**Actual**	**Budget**	**Projected**									
Administrative Costs	961,546	862,723	1,138,276	1,172,424	1,207,597	1,243,825	1,281,140	1,319,574	1,359,161	1,399,936	1,441,934	1,485,192	1,529,748
Operating & Maintenance Costs	2,287,592	2,652,716	3,091,814	3,184,568	3,280,105	3,378,509	3,479,864	3,584,260	3,691,788	3,802,541	3,916,617	4,034,116	4,155,139
NCRTD GRT Allocations % based	4,257,127	4,327,824	4,242,874	4,370,160	4,501,265	4,636,303	4,775,392	4,918,654	5,066,213	5,218,200	5,374,746	5,535,988	5,702,068
Capital Investment Plan	2,081,665	762,446	859,000	1,162,326	935,500	2,229,000	876,000	697,000	903,000	877,000	865,000	402,000	500,000
Total Operating Expenses	9,587,930	8,605,709	9,331,964	9,889,479	9,924,468	11,487,637	10,412,396	10,519,487	11,020,162	11,297,677	11,598,297	11,457,296	11,886,955

Net Operating Income	709,207	1,200,609	0	**(58,672)**	**(936,529)**	**(892,087)**	**(649,682)**	**(643,093)**	**(714,679)**	**(741,083)**	**(939,547)**	**(713,114)**	**(768,230)**
Reserve Balance Req. (25%)	2,396,983	2,151,427	2,332,991	2,472,370	2,481,117	2,871,909	2,603,099	2,629,872	2,755,041	2,824,419	2,899,574	2,864,324	2,971,739
over/under reserve balance	**803,836**	**1,049,391**	**4,457,340**	**4,317,961**	**4,250,543**	**2,923,221**	**2,299,944**	**1,623,489**	**855,228**	**71,170**	**(745,068)**	**(1,649,365)**	**(2,469,893)**
Proj. ending reserve amount	3,200,818	6,790,331	6,790,331	6,731,660	5,795,130	4,903,043	4,253,361	3,610,268	2,895,589	2,154,506	1,214,959	501,845	**(266,385)**

1. No Service increases
2. 3% inflator for Revenues - Federal escalates at 3% a year
3. O & M costs inflated at 3%
4. NCRTD GRT allocations based upon Board approved formula
5. Capital reflects RTD 10 year plan

Reserve Fund Allocation per proposed policy

Reserve for operations (25%)	$2,332,991.00
Reserve for capital (10%)	$933,196.40
Reserve for service enhancements (5%)	$466,598.20
Total **Designated** Reserve Funds	$3,732,785.60
Undesignated Reserve Funds	$3,057,545.40
Total all Reserves	$6,790,331.00



2012

Long Term Financial and Strategic Plan FY12 - 21

Anthony J. Mortillaro, Executive Director

North Central Regional Transit District

December 14, 2011

North Central Regional Transit District Long Term Financial Plan

The Long Term Financial Plan (LTFP) is defined as a document that identifies fiscal issues and opportunities, establishes fiscal policies and goals, examines fiscal trends, produces a financial plan and provides for feasible solutions. The LTFP allows the District to focus its efforts on long-term initiatives, including funding for necessary service delivery, maintenance and capital needs, without compromising its financial future. With the District still being a relative new entity, it is necessary that it make strategic decisions based upon the financial strategy encompassed by this plan.

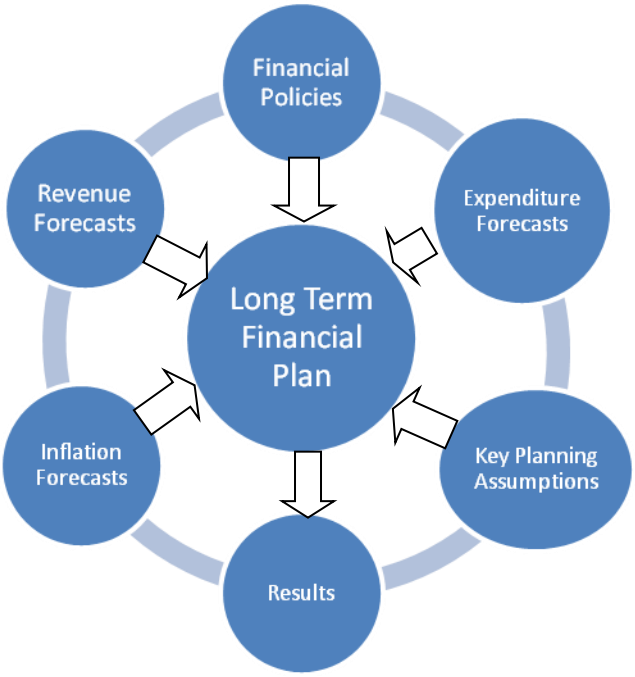
Risk Analysis

The LTFP is based on a number of assumptions and projections of key variables such as; cost inflation, revenue growth or declines, interest rates and availability of federal funds. Although adequate contingency factors have been included in all of these key variables, the financial forecasts are still vulnerable to periods of economic recession and/or "spikes" in costs of fuel, labor or operational materials. This Financial Plan reflects cash flow and cash reserves (the District has no debt obligations at this time) to meet all financial obligations. However, a worsening downturn in the economy beyond that already factored into the financial plan would most likely require further expenditure reductions and a delay in implementation of any system expansions currently reflected in the approved Service Plan.

The key elements of the LTFP are as follows:

- Multi-year budgeting helps avoid reactionary measures like across-the-board cuts in expenses, a hold-the-line strategy for line item expenses, freezes in hiring, or even layoffs.
- Develops a ten-year projection of revenues and expenses - without regard for balancing budgets over the ten years.
- Emphasizes scenario building - rather than one "right" answer.
- Allows the District to target and quantify any projected tax and rate increases over the next five or ten years.
- If Fares are going to be implemented, it avoids Fare shock by planning reimplementation and future increases.
- Emphasizes moving toward cost-to-serve.

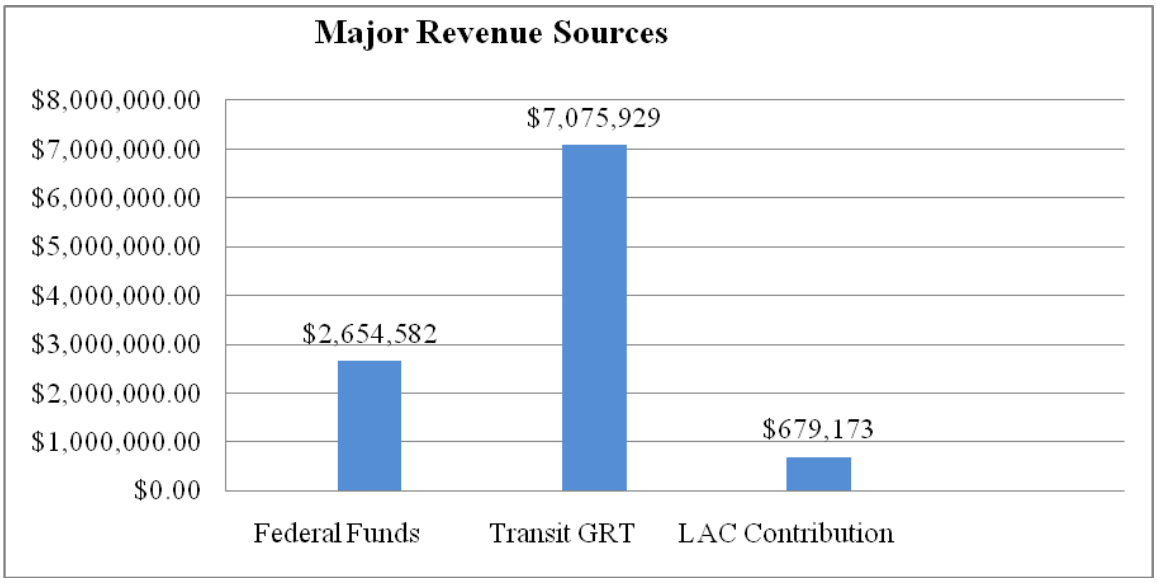
- Seeks input on program and service cuts from Board Members, District employees, regional planning boards and commissions, neighborhoods, customer surveys, and constituent focus group meetings.
- Addresses long term problems years before they occur.
- Forces the District to deal with many of tomorrows problems today - rather than simply waiting on the problem to surface.
- Emphasizes communicating better with the public.



Revenues:

The NCRTD currently relies on the following funding sources in FY 12;

Funding Source (FY12)	**Amount**	**% of total revenues**
Federal funds (5311, 5309 and miscellaneous)	$2,654,582	25.4%
NCRTD GRT funds	$7,075,929	67.71%
Los Alamos County Contribution (expires in 2012)	$679,173	6.5%
Miscellaneous Revenue	$40,000	0.39%
Total	$10,449,684	100%

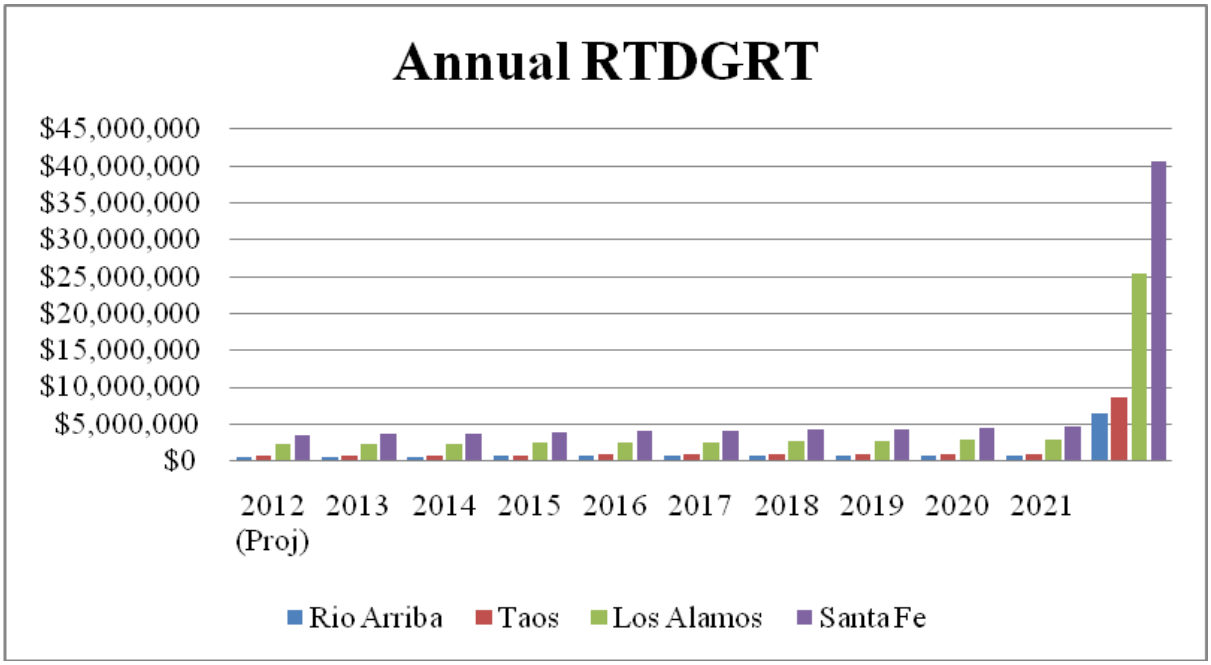


The three major sources of revenue that fund the NCRTD are not varied and as can be seen by the above charts, the majority of funding is derived from the NCRTD GRT tax. Furthermore, the NCRTD's statutory ability to generate revenue is defined as tolls, fees, rates, charges, assessments, grants, contributions or other income and revenues received by the district. The District can also impose up to a one-half percent of the gross receipts tax through a general election, which the District voters passed in 2008 but it was limited to 1/8th and was approved with a 15-year sunset provision. As such, the NCRTD GRT will expire in 2024. However, the District can generate additional GRT revenue by requesting the voters to consider further increases up to the one-half percent limitation. However, the likelihood of requesting additional tax increases to fund the District is very unlikely.

Forecasting NCRTD GRT tax revenues presents unique challenges, as its jurisdictional boundary related to the County where the tax is derived does not correspond to common economic factors. The economies of the counties of Rio Arriba, Taos, Santa Fe and Los Alamos are driven by varied economic factors that contribute to the amount of GRT tax generated. These factors influence how much revenue is generated within each entity and subsequently transmitted to the State and then to the District. The estimate for GRT generated within each County is individually forecasted and then incorporated into the overall projection.

The projected revenue based upon an average inflation rate of 3% for each county over the next nine years is as follows and does not include any increased revenue due to Los Alamos National Laboratory (LANL) capital spending:

Year	Rio Arriba	Taos	Los Alamos	Santa Fe	Annual Total
2012(Proj)	$568,528	$745,391	$2,213,322	$3,548,688	$7,075,929
2013	$585,584	$767,753	$2,279,722	$3,655,149	$7,288,207
2014	$603,151	$790,785	$2,348,113	$3,764,803	$7,506,853
2015	$621,246	$814,509	$2,418,557	$3,877,747	$7,732,059
2016	$639,883	$838,944	$2,491,113	$3,994,080	$7,964,020
2017	$659,080	$864,112	$2,565,847	$4,113,902	$8,202,941
2018	$678,852	$890,036	$2,642,822	$4,237,319	$8,449,029
2019	$699,218	$916,737	$2,722,107	$4,364,439	$8,702,500
2020	$720,194	$944,239	$2,803,770	$4,495,372	$8,963,575
2021	$741,800	$972,566	$2,887,883	$4,630,233	$9,232,482
Total	$6,517,536	$8,545,072	$25,373,256	$40,681,731	$81,117,596



The District has the ability to bond for capital expenditures, which requires the ability to repay this debt through District revenue. To date the District has not issued any bonds and whether bonding would be considered in the future is very dependent upon the need and the ability to repay the debt. Furthermore, due to the overall general economy nationally, within the state and in the district's boundaries, the NCRTD cannot anticipate realizing any increases in federal funding or state resources. The federal funds passed through the New Mexico Department of

Transportation amount to approximately $2.6 million yearly. This represents 25.4% of the Districts operating revenue.

The NCRTD is reaching a decisive stage in terms of its revenue sources when the Los Alamos County (LAC) contribution expires in 2012. The LAC Funding contribution was a 5-year commitment that originated from its "Progress through Partnering" program to distribute a portion of the increased GRT revenue it realized when Los Alamos National Laboratory (LANL) became a taxable entity. Los Alamos County committed to expend up to $1.5 million per year towards regional activities enumerated in the 2007 Cooperative Agreements. One of those regional commitments was to allocate $1.1 million per year to the NCRTD. To date Los Alamos County has provided this funding; however, with the agreement soon to expire and a new majority of Council members having taken their offices in January 2011, the Council will likely undertake a review of this program and its commitment to funding regional activities.

Since the majority of workers at LANL, approximately 56% live and commute from the surrounding communities, the region would hope that Los Alamos County would consider its ongoing commitment to Northern New Mexico for funding regional projects. In addition, Los Alamos County may be experiencing another significant infusion of increased GRT revenues due to major reinvestment into capital infrastructure at LANL. LANL, because of Congressional approval of the Strategic Arms Reduction Treaty "Start" with Russia, has expressed an interest in reinvesting approximately $5.5 billion into new facilities at the Laboratory. This new investment if it occurs will generate approximately $61 million in new one time GRT revenues for Los Alamos County over the life of the construction projects, which are additive to the increased ongoing revenue that the County experienced when the Laboratory became taxable. However, these new revenues are derived from one-time construction projects so the increased GRT revenue is not a reoccurring source of funding. It is not clear whether any other NCRTD member entity will experience an increase in their GRT revenues because of increased LANL spending. Likewise, the State of New Mexico will experience an increase in new GRT revenues because of LANL spending. Similarly, the NCRTD will realize some of this increased GRT revenue as well, however, it will be critically important that the increased NCRTD Transit GRT is not fully programmed into ongoing service programs but placed into reserves or one time capital needs. It is estimated that the additional NCRTD Transit GRT to be generated from this new spending is approximately $6,875,000 over a ten-year period. This amounts to approximately $687,500 per year. It is not clear at this time whether this additional revenue would be subject to the adopted GRT revenue allocation method.

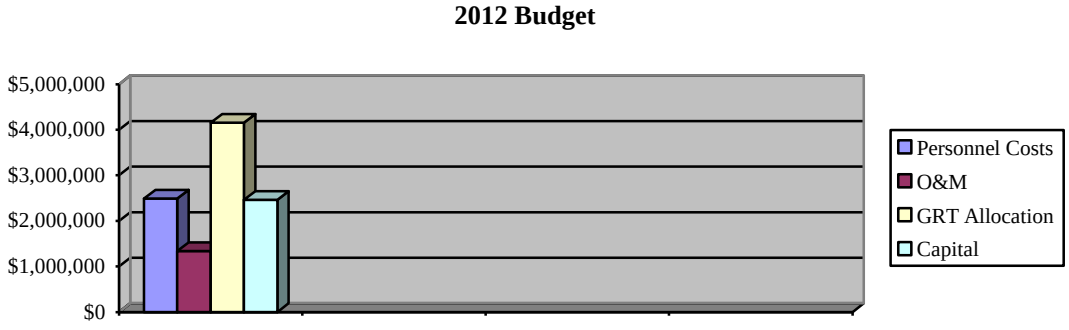
The NCRTD GRT although generated in each county within the District boundaries is a funding source legally bound to the District. The redistribution of these funds is solely based upon a resolution entered into with Santa Fe County. No such agreement exists with any other member entity. It is clearly within the Boards discretion to manage the distribution of this revenue source in light of the Districts changing financial picture and long-term prognosis that revenues are not going to appreciably increase. Should the NCRTD not elect to redistribute these funds as currently provided or to modify the distribution formulas upon the expiration of the Los Alamos County Contribution, the NCRTD could use these revenues to soften the economic prognosis

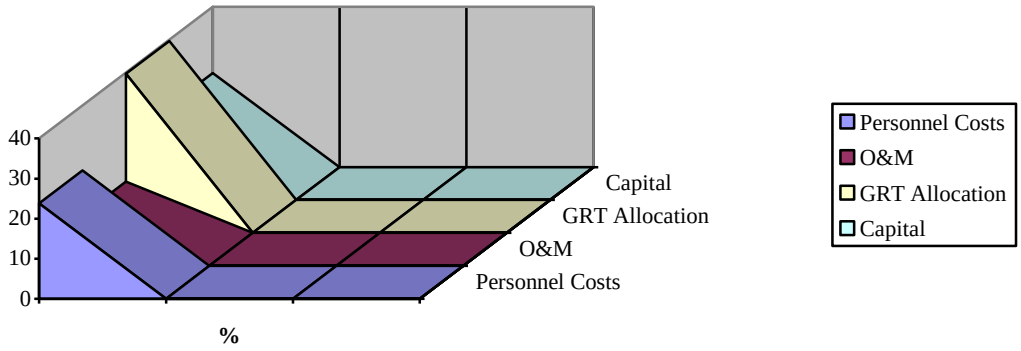
presented in the various LTFP scenarios. Absent an alternative approach, other revenue sources would need to increase or new revenues sources would need to be generated, or services and capital expenditures may need to be reduced.

Expenditures:

In discussing revenues, it is also important to look at the forecast for expenditures over the same time. Currently, the expenditures of the district consist of salaries and benefits, which represent 65% of the administration, operating and maintenance portion of the FY 12 budget. As a percentage of the entire budget (excluding capital and Transit GRT allocations), they comprise 37.5%. Transit GRT allocations for the Rail Runner, Los Alamos County and City of Santa Fe equal 62.6% of the annual budget (not including capital). Capital expenditures, which vary annually, make up 23.6% of the total FY 12 budget. Reserves, although not included as part of the budget, require a set aside of funds which are not available for daily expenses. In FY 12, projected reserves total $3,050,790, which equal 29.2% of the total budget, and which is well above the 8% requirement of DFA and 4.2% above the Board policy of 25% (3 months of operating costs).

Over the next 10 years, expenditures are estimated to inflate annually at a 3% average rate. It is also estimated that capital costs will vary over the course of this period. The recently acquired Administration/Maintenance facility will have been remodeled and capital costs would be limited to a phase II maintenance facility, scheduled replacement of fleet and various other equipment.





Summary

The District has very limited options in relation to its revenue sources and its expenditures. The District has a commitment to using the NCRTD Transit GRT (Santa Fe County portion) for funding the Rail Runner at~ $1,774,344, which represents 50% of estimated revenue derived from Santa Fe County. This commitment is fully enumerated in the Agreement that was entered into by the District and the Rio Metro RTD, which is not likely to change. The District has relied upon the $1.1 million annual contribution from Los Alamos County over the five-year commitment period. This contribution has been committed to the provision of transit services. This contribution has represented as much as 10.6% of the Districts revenue sources. The Los Alamos contribution was a major factor in allowing the District to move forward and provide the regional services that are important to the District Members however, since this was not a long-term guaranteed revenue source; the prospect that these funds may not be available in the future will have a serious impact on the Districts service levels. The NCRTD GRT revenues due to economic conditions have not materialized as initially projected. The combination of these factors will require that the District Board make decisions about the long-term fiscal integrity of the District and its ability to sustain existing services and/or service expansion. Lastly, the District should be very careful in the funding of additional reoccurring services based upon the prospect of future revenue that could result from one-time construction projects at LANL, which are at best 10 years in duration, if they occur.

Long Term Financial Plan (LTFP) Projections Scenarios

Worst Case Scenario

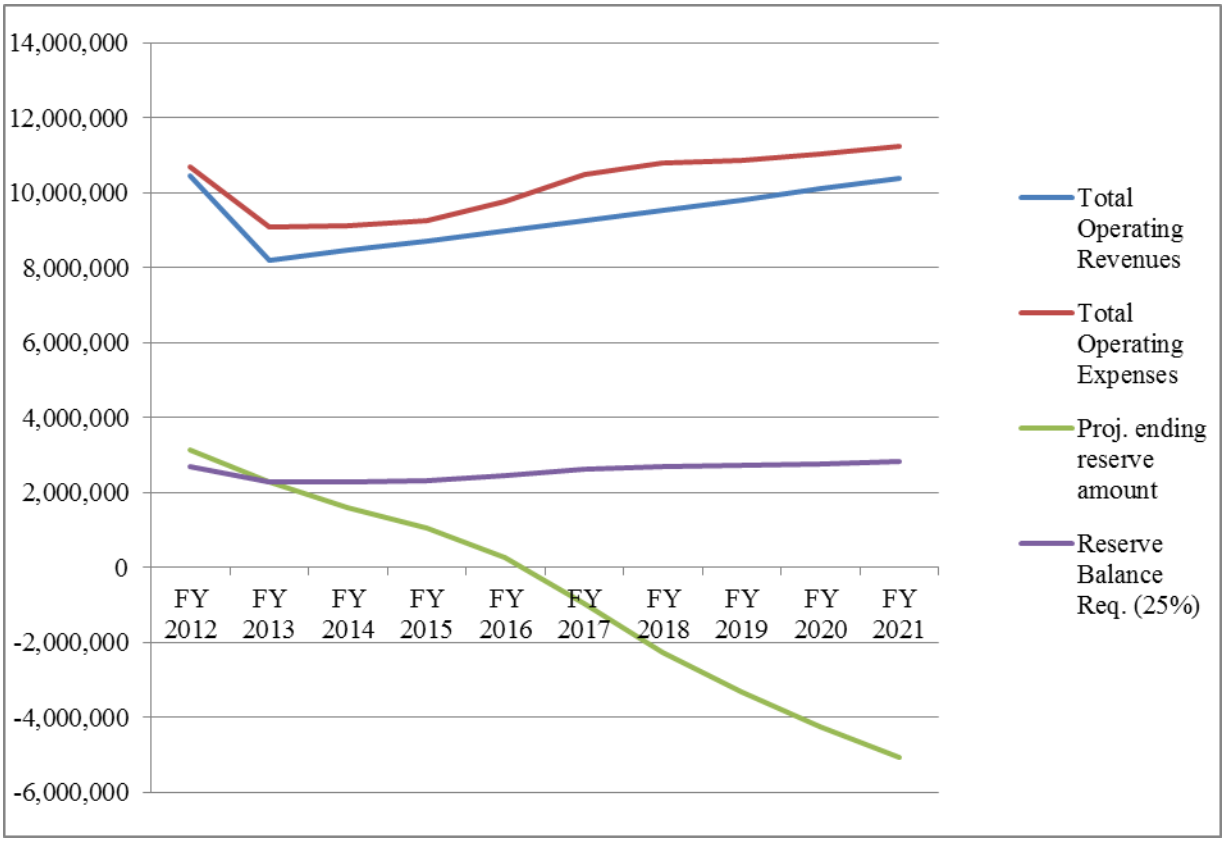
This scenario reflects the possibility that federal funding could be reduced by up to 30% commencing in FY 2013. This scenario also anticipates that the final LA County (LAC) contribution will occur in 2012 and will be less than the prior years since the amount represent the residual amount remaining to be disbursed under the expiring five-year agreement and projects the prospect that no additional funding will be forth coming from LAC. This long-term financial scenario incorporates a 3% increase in NCRTD GRT revenues commencing in FY 2013.

The long-term financial scenario includes a 3% inflationary increase in expenses and again represents a conservative approach to projecting increasing costs. This scenario also anticipates that based upon the current allocation method the NCRTD GRT revenue will be distributed towards regional services that the Board has approved in its adoption of various entity service plans. The Rail Runner contractual obligation and the distributed NCRTD GRT are anticipated to increase by 3% a year, which mirrors the projected revenue increases for the GRT.

Capital expenditures under this scenario do not include the estimated costs to construct the Phase II Maintenance Facility but do include an annual capital expenditure based upon the Districts 10 year capital plan. No federal matching funds were incorporated into this scenario as offset to the expenditure of funds for the capital plan due to the tenuous nature of federal funding. However, the District should work towards obtaining funds from other sources to minimize use of its own funds toward capital expenditures.

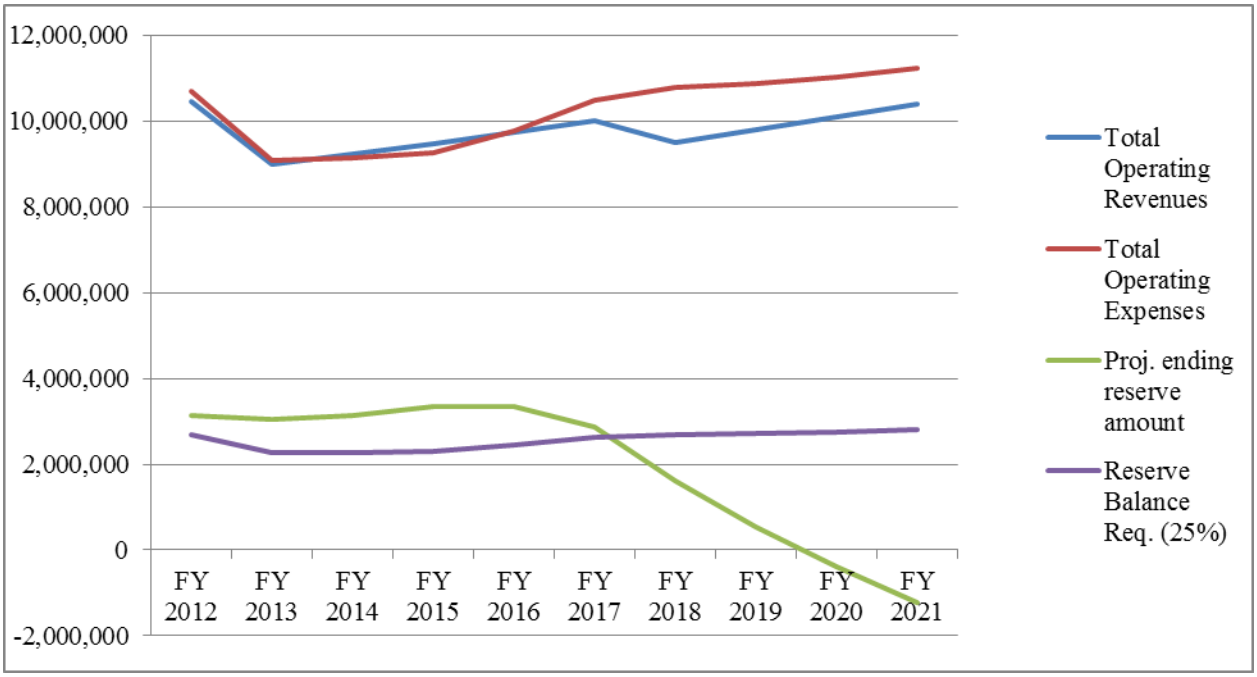
With the proposed reduction in federal funding coupled with no new funding from the Los Alamos County Progress through Partnering program this scenario would result in immediate service reductions as of FY 2014 and possible reductions in the capital and cost allocations to the District members in order to balance the budget. This reduction in spending will continue through 2021 even though a 3% increase to federal funding is projected after 2013 on a yearly basis. Reserve funds will be depleted below the Board policy and DFA required levels.

Worst Case Scenario



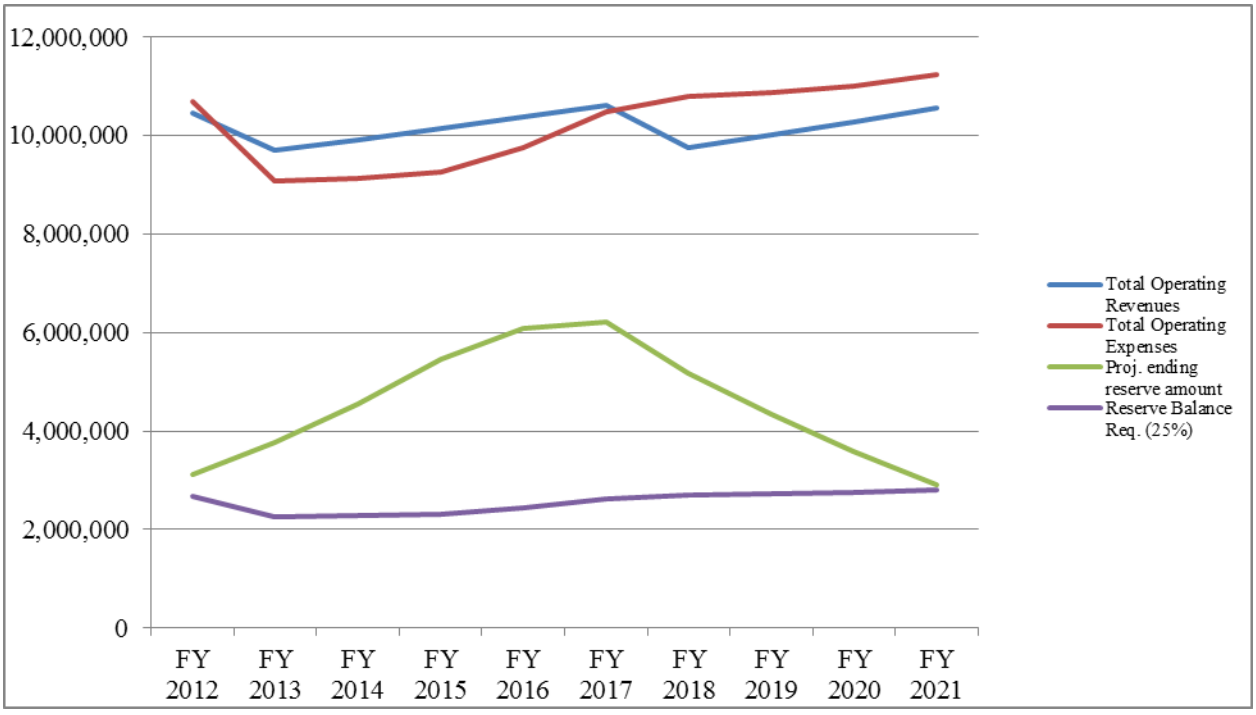
Moderate Worst Case Scenario

This scenario reflects the possibility that federal funding could be decreased by 30% however, it does provide for Los Alamos County Progress through Partnering funding at a rate that is 30% less than its prior year commitments. All other revenue and expenditure projections are the same as the Worst Case Scenario. This scenario indicates that service levels and funding allocations to member entities along with capital purchases could continue as proposed until FY 2018. At that, time reductions in capital expenditures will need to cease and member-funding allocations will need to be reviewed along with service levels. Under this scenario, the District will continue to comply with both DFA and Board Reserve policy through FY 2017. No new routes or expansions of existing routes are contemplated in this scenario.



Best Case Scenario

This scenario provides for federal funding at the same rate the District currently receives and which is held flat over the 10-year period. It also includes LAC "Progress through Partnering" funding at the current level of $1,100,000. All other expenditure and revenue projections are same as those included in the previous two scenarios. Based upon this scenario, the District will be able to retain its current funding level for services and funding allocations for its members, which would grow at a rate of 3% a year. It also provides appropriate funding for the Districts 10 year capital plan but continues to exclude the funding for the Phase II Maintenance Facility. The Reserve Balance does experience considerable growth and will exceed the Board and DFA reserve requirements; however, as the District implements its 10-year capital plan the reserve balance will decrease but remain in compliance with policy. Under this scenario, the possibility exists that if federal funding can be acquired that provides for the 80% match for capital expenditures, that the residual remaining funding could be conservatively considered for allocation to new routes. However, doing so will require a careful analysis to ensure that any new routes that are added will be sustainable in future years.



Long Term Financial Strategy

In light of the financial and expenditure trends and projections for the next ten years, it is imperative that some basic underlying strategies for the District be adopted. The intent of these strategies is so that the District continues to look ahead to plan for the financial issues and challenges it will face over the next 10- years.

In essence, the strategy is based upon the following considerations when the Districts long term financial forecast is positive.

- Assess the situation
- Maintain adequate reserves within Board and DFA policies and continue to build upon them especially if the revenue is being generated from one time sources
- Seek to fund an equipment replacement reserve
- Use one-time revenues for one-time expenses
- Use recurring revenues for recurring costs or for one-time expenses that don't have ongoing maintenance and operational costs
- Stay faithful to the District's long term goals
- Think carefully when considering revenue reductions (especially when the economy is performing well, since it is always tempting to reduce revenues during good times – always remember that the economy is cyclical)
- Take a long term perspective

Annually when the District reviews the Long Term Financial Plan and whether it is positive or negative, the following should be considered:

- Review operating cost recovery mechanisms (fares) and ascertain whether the District should remain Fare Free or should fares be implemented or increased in the future
- Review cost sharing opportunities
- Use reserves sparingly and never go below the DFA required minimum but try to stay true to the Districts requirement of 25%
- Evaluate reducing or eliminating high-cost low-ridership services but balance this against the public service benefit of the route
- Think carefully about considering a tax increase
- Strategically manage the District so that its customers find value, including non-riders who make up the bulk of the districts voting constiuency
- If necessary, service reductions or changes must be sustainable and not "one time"
- Resources will be dedicated to the maintenance of current District facilities and equipment (assets) before adding new assets

Lastly, the District needs to make a commitment to continuous process review and improvement. System and process improvements should be continually advocated and championed by management. Furthermore, District staff should customarily view this activity as an employee

responsibility. However, there is a point where increased expectations and process improvements cannot be further absorbed without reducing service levels, therefore, an outcome oriented comprehensive performance process should be considered for further review and development by management. As Management embarks on such an effort the District Board should consider endorsing, funding and providing the resources to achieve the following tenants:

- Develp a report mechanism for the Board that documents efficiencies;
- Develop management tools to measure, assess, and improve peformance based upon established industry standards and Board expectations;
- Strive towards a "performance based budget" so that informed allocation decisions drive the budget process.

To achieve the aforementioned tenants, management and staff should be asking themselves the following questions:

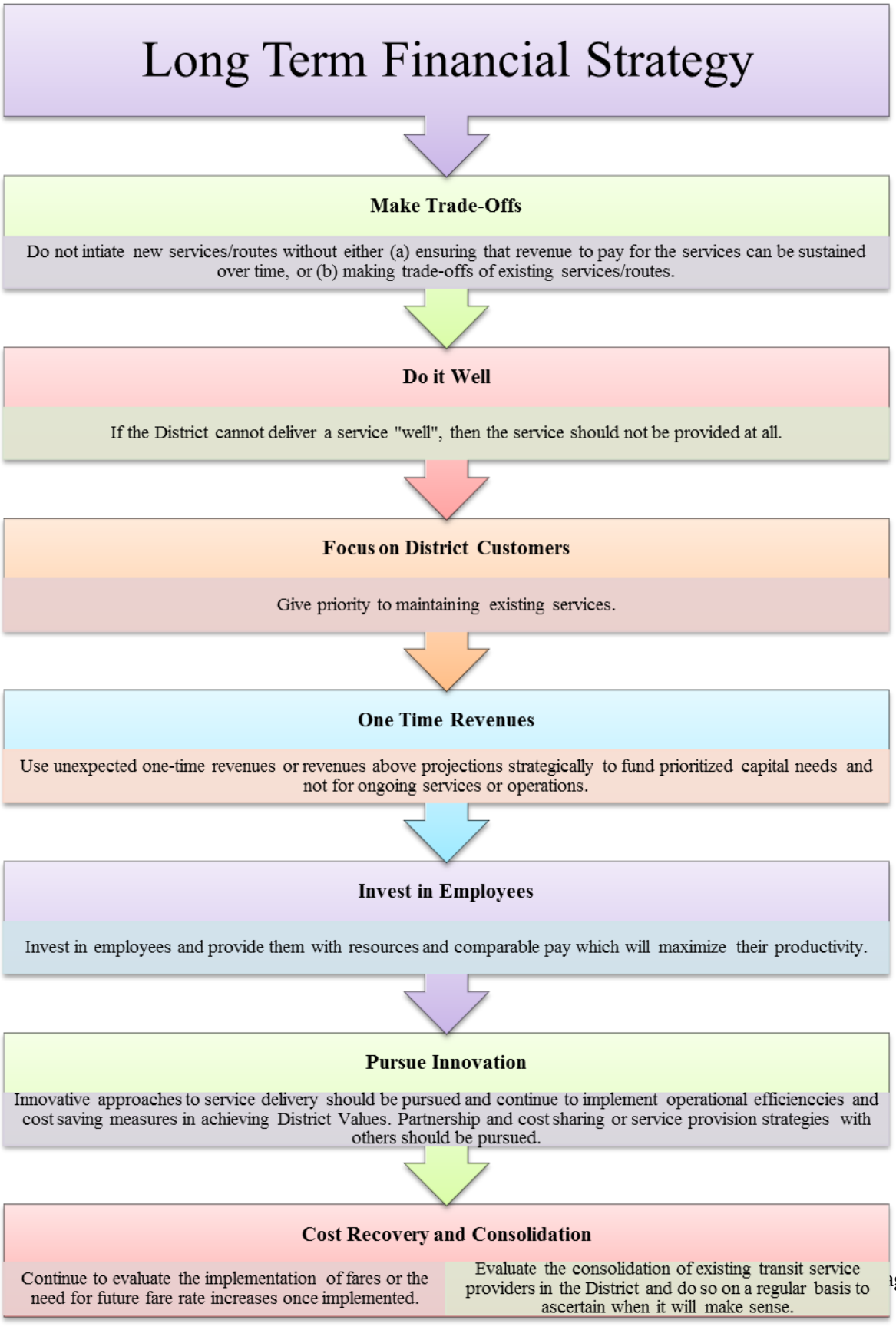
1. How do we perform now?
    a. Current results
    b. How do we compare to others that are similar to the District?
    c. What's the level of service and resources?
2. What areas should be targeted for improvement.
    a. What services or programs need to change?
    b. Make system improvements?
    c. Implement change?
3. Report Results
    a. Were results achieved?
    b. What improvments were made?
    c. What capacity was added?

The measurement of key results is just the begining and the District should continually be asking it self:

- What results is it striving to achieve for its customers and remember that customers are not just riders but all tax payers in the District?
- What is the specific data telling us?
- What must the District do now to make the results even better or to correct the problem?

The performance data should be collected and anlyzed so as to provide the District Board with information about how well the District is providing services and achievieng its goals. The data should also be used by managers and staff to identify problems in existing programs, to try to identify root causes or problems, and/or to develp corrective actions. Overall evaluation of the performance data is designed to tell the Board and management about the effectiveness and efficiency of the Districts programs and services which leads to improving performance and performance refinement.

Operating centers in the Districts organizational structure should regularly compare performance against established goals and performance targets and use the information from this evaluation to determine the need for improvement and/or the need for program changes. They also should use performance information to plan and budget, develop strategies, and make recommended resource allocation decisions to ensure that community transit needs are met today and in the future.


Long Term Financial Strategy
Make Trade-Offs
Do not intiate new services/routes without either (a) ensuring that revenue to pay for the services can be sustained over time, or (b) making trade-offs of existing services/routes.
Do it Well
If the District cannot deliver a service "well", then the service should not be provided at all.
Focus on District Customers
Give priority to maintaining existing services.
One Time Revenues
Use unexpected one-time revenues or revenues above projections strategically to fund prioritized capital needs and not for ongoing services or operations.
Invest in Employees
Invest in employees and provide them with resources and comparable pay which will maximize their productivity.
Pursue Innovation
Innovative approaches to service delivery should be pursued and continue to implement operational efficienccies and cost saving measures in achieving District Values. Partnership and cost sharing or service provision strategies with others should be pursued.
Cost Recovery and Consolidation
Continue to evaluate the implementation of fares or the need for future fare rate increases once implemented.
Evaluate the consolidation of existing transit service providers in the District and do so on a regular basis to ascertain when it will make sense.

New Revenue Sources

Bus and Shelter Advertising

RTD currently manages all of the sales of advertising space on the fleet and on RTD facilities. RTD anticipates that the Marketing staff could double advertising revenues by FY13. RTD will use most of these revenues to offset the costs associated with advertising RTD services, and conducting outreach to the community. RTD staff will also pursue in-kind partnerships for advertising with applicable partners.

Federal Sources and Definitions

FTA Section 5307

The FTA defines the Section 5307 program as the following:

This program (49 U.S.C. 5307) makes Federal resources available to urbanized areas and to Governors for transit capital and operating assistance in urbanized areas and for transportation related planning. An urbanized area is an incorporated area with a population of 50,000 or more that is designated as such by the U.S. Department of Commerce, Bureau of the Census.

Eligible purposes include planning, engineering design and evaluation of transit projects and other technical transportation-related studies; capital investments in bus and bus-related activities such as replacement of buses, overhaul of buses, rebuilding of buses, crime prevention and security equipment and construction of maintenance and passenger facilities; and capital investments in new and existing fixed guide way systems including rolling stock, overhaul and rebuilding of vehicles, track, signals, communications, and computer hardware and software. All preventive maintenance and some Americans with Disabilities Act complementary paratransit service costs are considered capital costs. For urbanized areas with 200,000 populations and over, funds are apportioned and flow directly to a designated recipient selected locally to apply for and receive Federal funds. For urbanized areas under 200,000 in population, the funds are apportioned to the Governor of each state for distribution. A few areas under 200,000 in population have been designated as transportation management areas and receive apportionments directly.

For urbanized areas with populations of 200,000 or more, operating assistance is not an eligible expense. In these areas, at least one percent of the funding apportioned to each area must be used for transit enhancement activities such as historic preservation, landscaping, public art, pedestrian access, bicycle access, and enhanced access for persons with disabilities.

The FTA distributes Section 5307 funds annually based on a formula using population, density and operating statistics. NCRTD does not receive any of these Section 5307 funding. The City of Santa Fe does receive 5307 funds. Under this program transit, related capital projects are eligible and may include multi-jurisdictional cooperation, should the City of Santa Fe want to

use the funds in this fashion. The availability of funds for capital use is subject to local prioritization and project selection at the regional level.

FTA Section 5308

The FTA defines the Section 5308 program as the following:

Section 3010 of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), Pub. L. No. 109-59, 119 Stat. 1144, 1572 (2005), amended section 5308 of title 49 United States Code, commonly referred to as the Clean Fuels Grant Program, from a formula-based to a discretionary grant program. The program has a two-fold purpose. First, the program was developed to assist nonattainment and maintenance areas in achieving or maintaining the National Ambient Air Quality Standards for ozone and carbon monoxide (CO). Second, the program supports emerging clean fuel and advanced propulsion technologies for transit buses and markets for those technologies.

The FTA distributes Section 5308 funds annually based on a competitive grant application. NCRTD is not eligible for this program since it is not in a nonattainment area. However, should consider the possibility of pursuing Section 5308 funding for capital fleet replacement, under the second portion of the program.

FTA Section 5309

Section 5309 is discretionary capital funding that provides capital assistance for transit projects. The FTA distributes Section 5309 funds annually based on a competitive grant application. NCRTD has annually pursued Section 5309 funding for capital fleet replacement. Projects selected are eligible for 80 percent federal participation with a 20 percent local match.

The FTA defines the Section 5309 program as the following:

The transit capital investment program (49 U.S.C. 5309) provides capital assistance for three primary activities:

New and replacement buses and facilities.
Modernization of existing rail systems.
New fixed guide way systems (New Starts).

Eligible recipients for capital investment funds are public bodies and agencies (transit authorities and other state and local public bodies and agencies thereof) including states, municipalities, other political subdivisions of states; public agencies and instrumentalities of one or more states; and certain public corporations, boards, and commissions established under state law. Funds are allocated on a discretionary basis.

The Bus and Bus Facilities program provides capital assistance for new and replacement buses and related equipment and facilities. Eligible capital projects include the purchasing of buses for fleet and service expansion, bus maintenance and administrative facilities, transfer facilities, bus malls, transportation centers, intermodal terminals, park-and-ride stations, acquisition of replacement vehicles, bus rebuilds, bus preventive maintenance, passenger amenities such as passenger shelters and bus stop signs, accessory and miscellaneous equipment such as mobile radio units, supervisory vehicles, fare boxes, computers and shop and garage equipment.

Private companies engaged in public transportation and private non-profit organizations are eligible sub recipients of FTA grants. Private operators may now receive FTA funds as a pass through without competition if they are included in a program of projects submitted by the designated public authority acting as the direct recipient of a grant.

A subsection of the Section 5309 funding is dedicated to the Small Starts, and Very Small Starts discretionary fund. This resource is applied for through the grant application process. Federal funding is awarded for capital projects that provide minimal service expansion for large scale transit operations.

FTA Section 5310

The FTA defines the Section 5310 program as the following:

This program (49 U.S.C. 5310) provides formula funding to States for the purpose of assisting private nonprofit groups in meeting the transportation needs of the elderly and persons with disabilities when the transportation service provided is unavailable, insufficient, or inappropriate to meeting these needs. Funds are apportioned based on each State's share of population for these groups of people.

Funds are obligated based on the annual program of projects included in a statewide grant application. The State agency ensures that local applicants and project activities are eligible and in compliance with Federal requirements, that private not-for-profit transportation providers have an opportunity to participate as feasible, and that the program provides for as much coordination of Federally assisted transportation services, assisted by other Federal sources. Once FTA approves the application, funds are available for state administration of its program and for allocation to individual sub-recipients within the state. NCRTD uses Section 5310 funding to provide transit services that meet the needs of seniors and disabled people. The FTA distributes Section 5310 funds annually based on a competitive grant application. RTD anticipates pursuing Section 5310 funding for capital fleet replacement for Dial-a-Ride buses.

FTA Section 5311

The FTA defines the Section 5311 program as the following:

This program (49 U.S.C. 5311) provides formula funding to states for the purpose of supporting public transportation in areas of less than 50,000 populations. Eighty percent of the statutory formula is based on the non-urbanized population of the States. Twenty percent of the formula is based on land area. No State may receive more than 5 percent of the amount apportioned for land area. In addition, FTA adds amounts apportioned based on non-urbanized population according to the growing States formula factors of 49 U.S.C. 5340 to the amounts apportioned to the States under the Section 5311 program.

Funds may be used for capital, operating, and administrative assistance to state agencies, local public bodies, Indian tribes, and nonprofit organizations, and operators of public transportation services. The state must use 15 percent of its annual apportionment to support intercity bus service, unless the Governor certifies, after consultation with affected intercity bus providers that these needs of the state are adequately met. Projects to meet the requirements of the Americans with Disabilities Act, the Clean Air Act, or bicycle access projects, may be funded at 90 percent Federal match. The maximum FTA share for operating assistance is 50 percent of the net operating costs. Section 5311 grants provide funding to provide public transportation to rural areas. NCRTD receives Section 5311. Section 5311 funding is apportioned by the State based on population of the rural area of the County.

FTA Section 5311 (f)

Section 5311(f) grant funds are a subset of Section 5311 which are set aside for assistance in starting Intercity services between rural areas and urban centers. The FTA distributes Section 5311 funds annually to the State, which administers a competitive grant process for available funds. NCRTD should consider pursuing Section 5311(f) funding for capital fleet replacement for buses.

FTA Section 5316

The FTA defines the Section 5316 Job Access and Reverse Commute program (JARC) as the following:

The goal of the Job Access and Reverse Commute program (JARC) is to improve access to transportation services to employment and employment related activities for welfare recipients and eligible low-income individuals and to transport residents of urbanized areas and no urbanized areas to suburban employment opportunities. Toward this goal, the Federal Transit Administration provides financial assistance for transportation services planned, designed, and carried out to meet the transportation needs of eligible low-income individuals, and of reverse commuters regardless of income. The program requires coordination of Federally-assisted programs and services in order to make the most efficient use of Federal resources.

The FTA distributes Section 5316 funds annually based on a competitive grant application. NC RTD anticipates pursuing Section 5316 funding for operating assistance and education assistance programs.

FTA Section 5317

The FTA defines the Section 5317 New Freedom program as the following:

The New Freedom formula grant program aims to provide additional tools to overcome existing barriers facing Americans with disabilities seeking integration into the work force and full participation in society. Lack of adequate transportation is a primary barrier to work for individuals with disabilities. The 2000 Census showed that only 60 percent of people between the ages of 16 and 64 with disabilities are employed. The New Freedom formula grant program seeks to reduce barriers to transportation services and expand the transportation mobility options available to people with disabilities beyond the requirements of the Americans with Disabilities Act (ADA) of 1990.

The FTA distributes Section 5317 funds annually based on a competitive grant application. NCRTD should evaluate whether it should pursue Section 5317 funding for operating assistance and education assistance programs.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT

SUBJECT: Financial Policies	NUMBER: Fin - 01
EFFECTIVE DATE: ~~March 1, 2013~~November 8, 2013	**Adopted and amended by Board Resolution No.2011-10 on November 4, 201~~,1 and~~ 2013-04 on March 1, 2013 and 2013-?? on November 8, 2013. ~~.~~**
AMENDS/SUPERSEDES: **Policies adopted by Board on July 14, 2011~~, and~~ November 4, 2011 and March 1, 2013**	**APPROVED:** **ANTHONY J. MORTILLARO, EXECUTIVE DIRECTOR**

Purpose

The Financial Policies described herein are designed to provide a comprehensive framework for the management of financial resources for the North Central Regional Transit District (NCRTD). They provide guidelines for decision making by the NCRTD Board and management on how financial resources shall be utilized to fulfill the mission of the transit system, meet obligations and protect the public interest.

Objectives:

- Cost effective allocation and use of NCRTD financial resources in achieving the Districts mission.
- Compliance with applicable Federal and State laws, regulations and guidelines governing transit funding.
- Use of sound business and accounting practices in managing NCRTD financial affairs.
- Consistent financial practices, operational efficiencies and best practices.

1. Budgetary Policies

The adopted budget represents the ongoing commitment of the management and staff to operate and maintain the NCRTD in a fiscally sound manner according to the guidelines, policies and direction set forth herein. The Budget spans a fiscal year (beginning July 1 and ending June 30) and contains operating and non-operating revenues and expenses, grants, capital expenditures and reserves for the District. The budget is an appropriation document that gives the District the authority to spend funds for operating expenses, other expenditures such as contracts and capital and reserves.

Each year, the District staff will develop a budget plan that will lead to the Board's review and adoption of the subsequent year's budget. The timing of this process will be consistent with the established strategy and priorities at the District and with statutory requirements.

The District will also prepare a ten-year Long Term Financial plan for the purpose of identifying future financial challenges. It will be updated annually concurrent with the development of the annual budget.

A budget calendar for the fiscal year is to be established to make clear deliverables and deadlines.

Each year the District will establish a budget by:

- Providing a comprehensive review of the Districts sources and uses of funds for operating and capital expenditures.
- Tailoring the budget process into an effective management tool for setting financial priorities and meeting strategic objectives.
- Ensuring that the budget manages financial resources in a manner that:
    - Is prudent and sustainable
    - Meets financial requirements of medium and long-term capital needs
- Producing budget information that is:
    - Clear, comprehensible and transparent to employees and constituencies
    - Accurate, timely, and easy to access
- Monitoring and analyzing revenues and expenditures throughout the fiscal year for compliance and accountability.
- A quarterly cash and investment report and monthly one-year cash flow forecast report will be prepared.
- Current appropriations for all funds are limited to the sum available, unrestricted cash balances and revenues estimated to be received in the current budget year.
- All District divisions will operate within the adopted budget. From time to time, the District will consider spending requests for new or expanded programs during the course of the fiscal year and, to the extent possible, such increases to current operations will be funded by reoccurring current revenues unless the request is for a one time activity that does not require an ongoing funding allocation. On

occasion, there may be a need for Board action to draw funds from the Districts un-appropriated balance in order to meet unforeseen financial requirements.

- Capital assets owned by the District shall be maintained on a regular schedule. The District will recognize the impact of wear and tear of existing capital assets in the operating budget. Maintenance costs will be indentified and incorporated into the annual operating budget as necessary. These costs include items such as renovations, maintenance and service contracts.
- District funds will be reconciled at the close of the fiscal year to determine the available cash balance at year end.
- Reports to the Board shall include Fiscal Impact discussions as to how they may affect the budget plus the estimated cost and benefit of the program or service in the current and future years.

Budgetary Control:

Budget control is maintained at the departmental/divisional level. The Executive Director has the authority to approve appropriation transfers between programs, divisions or departments. In no case may total expenditures adopted for the fiscal year exceed that which is appropriated by the District Board without budget amendment.

2. Operating Program:

The District utilizes a general operating fund, which will be used to account for all financial transactions required for the current operation of the public transportation system. The two primary components of this fund are:

A. Operating Income (Income Sources)

- Operating income includes revenues derived from the Regional Transit Gross Receipts Transit tax (RT GRT), operating and capital assistance (federal and state funds), passenger fares, contractual reimbursements or contributions, interest income, and other miscellaneous sources of revenue.
    - For all federal transit grants awarded from New Mexico Department of Transportation (NMDOT), adherence to financial rules, regulations, and reporting will be complied with by NCRTD as per the New Mexico State Management Plan for the Administration of Federal Transit Grants, the annual Federal Transit Administration (FTA) Certifications and Assurances, and any subgrantee federal funding contract/memorandum of agreement with NMDOT.

- The District will continuously seek new revenues and will, to the extent consistent with its public transit objectives, pursue a diverse revenue base in an effort to

maintain a stable revenue stream. Seeking revenue diversity will help shelter the District from short-term fluctuations in any one revenue source.

- Revenues from the RT GRT are tracked in a line item dedicated to that purpose. According to the ballot initiative that created the RT GRT, the funds are to be used to expand regional public transit in the four-county area. The ~~District interprets~~District interprets this to mean that RT GRT funds should be used to implement approved service plans per Board adopted resolutions. Approved service plans may include, but are not limited to, establishing entirely new regional routes; increasing the frequency of service on existing routes; purchasing more and larger vehicles so more riders may avail themselves of public transit; acquiring fixed capital assets and technology to solely be utilized on those approved regional routes, converting pilot projects to regular services; and coordinating with other service providers, such as Santa Fe Trails, Taos Chili Line, Atomic City Transit, the Rail Runner, and Park & Ride to improve services and strive to provide a seamless transit experience to those in the District's service area.

  The following definition has been adopted by the Board and will be utilized to ascertain whether a proposed regional route is eligible to be funded by RT GRT:

  1. It connects to a service that leaves the district such as the Rail Runner or Park & Ride; or
  2. It crosses a jurisdictional line between Members;
  3. It connects two or more Members;
  4. It is solely within a single Member's local area but directly connects both in time and location with a service or route that makes possible travel outside the local area to another Member's area;
  5. It connects two distinct and separate communities within one Member's area such as Questa and Red River in Taos County or Los Alamos and White Rock in Los Alamos County;
  6. The Board of Directors will annually review all service plans within the region in order to determine regional routes by the qualification stated above. The board will have the ability to add or eliminate routes based on criteria for efficiency within the District.

The following funding allocation method will be used to determine the amount of RT GRT that will be allocated toward Board approved services on an annual basis, as provided below.

Entity	Percentage of Total Fiscal Year Projected NCRTD Transit GRT Revenue
City of Santa Fe	14%

Los Alamos County	20%
Rail Runner	26%
NCRTD (Santa Fe County, Rio Arriba County, and Taos County)	40%

In the event that RT GRT revenue(s) do not materialize as projected in the adopted fiscal year budget, it is the Board's stated desire that funding for services will be retained to the extent feasible. In order to achieve this priority the Board will consider the adjustment of the percentage allocations described in the above allocation methodology excluding the Rail Runner whose funding is prescribed through an Intergovernmental Agreement dated February 2009. The modification in the revenue percentage allocations will be proportionate to the reduction in the RT GRT revenue.

It is also the Board's priority that as a last resort, transit services provided solely and directly by the NCRTD should not be reduced. In the event that such a reduction is likely, the Executive Director may recommend to the Board for its consideration the use of operating reserves to the extent necessary and without violating the Reserve Policy requirements herein.

RT GRT revenue that is deemed to be reoccurring revenue and not allocated for regional routes is placed in the operating reserve balance and reserve for service enhancements and as such maybe be available for allocation in the following year for expanded service of regional routes as recommended by the Executive Director and adopted by the Board on the bases of the methodology for the allocation of RT GRT as described above. Prior to commitment of any remaining RT GRT reserve operating balance in the ensuing fiscal year to expanded regional service routes, these routes must be included in the requesting entities annual service plan and adopted by the NCRTD Board as well. In no event will these funds be allocated for new or expanded service regional routes if it will result in the diminishment of the reserve operating balance requirements as described within these policies or if it will impact the Districts ability to meet its capital equipment and infrastructure requirements.

The District is responsible for seeing that RT GRT funds are spent appropriately. For those entities operating their own transit services an invoice shall be submitted quarterly to the District requesting reimbursement of funds spent in accordance with RT GRT funded service plans and adopted cost allocation methodology. Invoices shall contain sufficient line-item detail to support the appropriateness of the expenditure and concurrence with the intended use of the funds. Upon receipt and review of the invoice, the District will reimburse the entity, provided sufficient RT GRT funds have been received.

B. In reference to Tribal Transit Funds if awarded by the Federal Transit Administration (FTA) to a Tribal Entity, the Tribal Entity maintains the authority to 1) utilize all Tribal

Transit Funds received for Tribal Transit / Transportation Initiatives; 2) allocate through an agreement a portion of Tribal Transit Funds to the NCRTD; 3) allocate through an agreement all Tribal Transit Funds received to the NCRTD.

1) Tribe utilizes all FTA Tribal Transit Funds for Tribal Transit / Transportation Initiatives.
    a. No Agreement with the NCRTD.

2) Tribe allocates through an agreement a portion of FTA Tribal Transit Funds to the NCRTD. The process for managing these funds includes the following steps:
    a. Tribe determines a need for additional services requiring a portion of Tribal Transit funds be allocated through an agreement to the NCRTD to provide contracted transit services.
    b. The NCRTD will assess the additional services requested by the Tribe and provide the Tribe with a Scope of Work, Budget & Budget Narrative.
    c. The Tribe will review and make any necessary changes to documents and return to NCRTD for review and re-submittal.
    d. Upon agreement of transit services to be contracted to the NCRTD, the Tribe and NCRTD will sign a Professional Services Contract detailing agreement between Tribe as the recipient of FTA Tribal Transit Funds and the NCRTD as the sub contractor to include: Scope of Work, Budget, and Budget Narrative.
    e. Contract, Scope of Work, Budget and other Program Information will be entered into the Federal Transit Authority's (FTA) TEAM web system by the Tribe or authorized NCRTD personnel if stated in agreement.
    f. Reports: Quarterly Financial, Monthly Progress, Monthly Ridership Reports are submitted to the FTA / FederalReporting.gov / TEAM web portal and will be completed by Tribe or authorized NCRTD personnel. Copies of all reports will be sent to Tribe for record keeping if the NCRTD personnel perform the reporting requirements.
    g. Any changes or modifications to the Scope of Work, Budget, and Budget Narrative must be approved and documented by the Tribe prior to NCRTD changing services or requesting reimbursement or payment for services provided under agreement.
    h. The NCRTD will advances funds to cover operating costs of contracted transit services.
    i. NCRTD will submit a detailed "Invoice" of work, services performed and provided to the Tribe per Scope of Work and Agreement for approval and processing.
    j. Tribe will approve "Invoice" of work and services performed and provided by the NCRTD and request a drawdown from the FTA.
    k. Upon receipt of funds from the FTA, the Tribe within 7 days will process payment to the NCRTD.

l. The Tribe and the NCRTD will meet periodically to evaluate the effectiveness of the services being provided, available budget, and discuss any necessary changes.

3) Tribe allocates through an agreement all FTA Tribal Transit Funds received to the NCRTD for the provision of contract transit services. The process for managing these funds includes the following steps:
    a. Tribe determines a need to allocate through an agreement all FTA Tribal Transit funds to the NCRTD for the provision of FTA funded contractual transit services to be continued.
    b. The NCRTD and the Tribe will assess current FTA funded services being provided to the Tribe and provide the Tribe with a Scope of Work, Budget and Budget Narrative of the FTA funded current services and how these funds will be utilized to continue transit services.
    c. The Tribe will review and make any necessary changes to documents and return them to the NCRTD for review and re-submittal.
    d. Upon agreement of transit services to be contracted to the NCRTD, the Tribe and NCRTD will sign a Professional Services Contract detailing agreement between Tribe as the recipient of FTA Tribal Transit Funds and the NCRTD as the sub contractor to include: Scope of Work, Budget, and Budget Narrative.
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    i. NCRTD will submit a detailed "Invoice" of work, services performed and provided to the Tribe per Scope of Work and Agreement for approval and processing.
    j. Tribe will approve "Invoice" of work and services performed and provided by the NCRTD and request a drawdown from the FTA.
    k. Upon receipt of funds from the FTA, the Tribe within 7 days will process payment to the NCRTD.

l. The Tribe and the NCRTD will meet periodically to evaluate the effectiveness of the services being provided, available budget, and discuss any necessary changes.

Application Process:

1) When requested by Tribe, the NCRTD will assist with the Grant Application to include a set percentage (5%) for Administrative costs. If the Grant is awarded the Tribal Transit Funds Policy will be utilized to manage these funds.

2) The NCRTD, if requested and there is a signed agreement by all the Tribe's, will submit a Joint Application on behalf of the Tribe's in agreement. Prior to submittal of Joint Application, the Tribes will review and approve the Application, Scope of Work, Budget, and Budget Narrative being submitted on their behalf. If the Grant is awarded the Tribal Transit Funds Policy will be utilized to manage these funds.

3) The Tribe's on their own behalf may apply for Tribal Transit Funds. If the Grant is awarded the Tribal Transit Funds Policy will be utilized to manage these funds.

C. Operating Expenses

Operating expenses are defined as the day-to-day costs incurred for public transit delivery, administrative overhead, and other common and normal expenses.

D. Operating Balance (difference between operating income and operating expenses)

The operating balance is utilized to fund the capital program and reserve requirements.

E. Administrative Overhead Costs

Direct and Indirect costs that are incurred for common or joint purposes in support of transit service or capital programs. Costs are allocated to programs based on allocation methods which comply with Federal and State guidelines.

3. Reserve Policy

This Financial Reserve Policy contains ~~polices~~ practices that govern the management of the District's financial reserves in order to:

- Maintain access to capital markets and other sources of capital funding at the most efficient cost of funds for the District;

- Manage financial risks prudently by maintaining required and additional financial reserves to meet the Districts financial needs;
- Meet New Mexico State Department of Finance and Administration (DFA) requirements for minimum reserve balance requirements and any Board requirements;
- Provide the District with the ability to withstand national, regional and local major economic disruptions, unanticipated expenditure demands and meet the need for other non-recurring expenses except for as provided within the reserve policies.
- Meet or exceed all debt coverage requirements, if any; and
- Establish prudent levels of liquidity.

The District will maintain at all times one month of operating revenue as a cash reserve to ~~–~~meet ~~its~~ DFA requirements.

The District will seek to maintain at all times an amount equaling 25% of its operating revenue as ~~a~~an unrestricted cash reserve which is inclusive of the DFA requirement distributed as follows:~~.~~

A. Reserve for Operations (budget stabilization): It is the goal of the Board of Directors to annually direct 15% of the unrestricted reserves into this fund to meet unexpected decreases of more than 5% in the levels of total revenues and subsidies, as well an unexpected increases of more than 5% in total operating costs such as unanticipated and unbudgeted increases in fuel costs or other operating materials that cannot be rebalanced within existing budgeted resources in any given year in order to protect against reducing service levels when these fluctuations occur. This reserve will be maintained at a maximum of twenty percent (25%) of the annual operating revenues.
B. Reserve for Capital and Capital Replacement: It is the goal of the Board of Directors to annually direct 5% of the unrestricted reserves into this fund. In addition revenues from the sale of surplus property or fixed assets will be directed towards this reserve fund. This reserve fund will provide the District with funds to meet matching requirements or non-matched purchases for fleet replacement, new fleet and replacement or acquisition of fixed assets. This reserve will be maintained at a maximum of ten percent (10%) of the annual operating revenues.
C. Reserve for Service Enhancements: This fund will be developed to build up fiscal resources in anticipation of future service enhancements. The intent is to build up a reserve of operating funds before potential service enhancements would be enacted in order to smooth the impact on the operating budget of a higher level of service and operating costs. When the Board has authorized existing service enhancements or new service enhancements then the Resolution approving such may also include the authorization to use this reserve fund for that purpose as required by section "E" below. The targeted balance of this reserve fund should

be sufficient to cover operating expense of the proposed service enhancement for a three-year period.

D. Reserve for Debt Service: When the District issues debt this reserve will be funded through bond proceeds equal to the highest year debt service obligation of the District. These funds are held by the trustee for payment of related debt service.

E. Approval for Use of Reserve Fund: Each proposed use of the reserve fund will be subject to Board approval. For each use of the aforementioned reserve funds, the Board will approve a resolution which will describe the need to use the reserve fund, and the uses for which reserve funds will be expended. By Resolution of the Board the Board upon recommendation of the Executive Director may consider the modification of the allocations herein in order to avoid any service reductions.

4. Capital Program

The NCRTD Capital Investment Plan (CIP) shall describe capital expenditures to be incurred to meet capital needs arising from long-term plans, asset maintenance or other capital needs. It sets forth each project in which the NCRTD will be involved and specifies the resources estimated to be available or required to finance the projected expenditures. The Executive Director shall submit to the NCRTD Board a proposed Capital Investment Plan prior to or in conjunction with the annual proposed budget. The Board shall approve the CIP no later than June 1 of each year. In the event that this date falls on a weekend, the preceding Friday shall prevail.

A. The Executive Director reviews all District capital projects to be recommended for inclusion in the CIP subject to the oversight and approval of the Board. In this capacity the Executive Director or a designee will:

   a. Affirm the linkage between proposed Capital Projects and the Districts strategic goals and objectives;
   b. Asses the linkage between the capital and operating budgets to ensure appropriate allocation of resources;
   c. Reaffirm the validity of a proposed CIP for annual approval by the District Board;
   d. Provide discipline and enforcement to the approved CIP;
   e. Monitor the progress of Capital Projects. Major changes in project scope or direction shall be presented to the Board for approval;
   f. Review the qualitative and quantitative (including financial analysis) evaluation of Capital Projects to determine the priority of projects;
   g. Review, assess and approve or deny the placement of proposed Capital Projects on the CIP;
   h. Review CIP policies and procedures periodically and implementing changes as necessary;
   i. Provide a mechanism for financial and resource planning for the District;

j. Authorize total project cost and fiscal year cost allocation changes.

B. The CIP is a planning document only. Any appropriations for specific project must be approved by the Board during the annual budget process.

C. The Districts CIP either creates a new asset or significantly extends the life of an existing asset.

D. Large Capital equipment purchases may be included in the CIP.

E. The Districts Capital Program will be used to account for the planning/design, acquisition, construction and reconstruction/rehabilitation of major capital facilities and equipment. It may include Federal and State grants as well as local funds to be used for capital acquisition and construction with and without benefit of grant funding including transfers from the Annual Operating Reserve Balance, project-related reimbursements, debt financing or other sources of capital funding.

F. Capital Expenditures are defined as expenditures incurred to meet capital needs arising from the District CIP, asset capital maintenance or other capital needs.

G. Capital Expenditure

a) Items/acquisitions that have a useful life in excess of one year and an acquisition cost of greater than or equal to $5,000.

b) Direct and eligible indirect costs, which are related and add value to a capital project, shall also be defined as capital expenditures.

H. Capital Performance Policy Objectives

a. The NCRTD will seek to obtain maximum Federal and State financing by pursing all appropriate funding available for public transportation systems.

b. A portion of the annual CIP will be allocated to the proper maintenance of the Districts capital assets including regular replacement of the fleet and equipment and the rehabilitation or replacement of facilities.

I. Capital Investment Plan Funding

Funding of the CIP will endeavor to fund capital needs from a combination of sources including:

- Pay-as-you–Go (cash funded, PAYGO)
- Grants from Federal/State/Other Sources

- Debt Financing and special loans

The CIP funding strategy will emphasize the use of PAYGO as a means to meet transit funding requirements with debt used as a secondary source. The level of PAYGO funding will be dependent on a number of factors including availability of funds from the RT GRT and other sources, the appropriate levels of retained fund balances, economic and other factors.

5. Debt Policy

The purpose of the Debt Policy is to establish guidelines for the issuance and management of the Districts debt. The District has the ability to issue debt under its statutory authority. This Debt Policy confirms the commitment of the Board, management, staff, advisors and other decision makers to adhere to sound financial management practices, including full and timely repayment of all borrowings, and achieving an appropriate level of capital within prudent risk parameters. The following objectives of the Debt Policy include the following:

- Obtain and maintain a high credit rating;
- Provide for an efficient overall cost of borrowing for the District;
- Provide specific guidelines with respect to the overall management of debt if incurred;
- Set forth a process for selecting various consultants who will assist the District in the issuance and management of the Districts debt;
- Support for the District's strategic plan objectives;

This Debt Policy shall govern the issuance and management of all debt and lease financings (excludes small item leasing such as copiers, etc…) funded from the capital markets, and shall include all obligations including investment of bond proceeds.

While adherence to this Debt Policy is required in applicable circumstances, the District recognized that changes in capital markets and unforeseen circumstances may produce situations that are not covered by the Debt Policy or require modifications or exceptions to achieve Debt Policy goals. In these cases, specific authorization from the Board is necessary to provide management appropriate flexibility. However, long term debt will be used on an as needed basis to fund the Districts capital investment needs.

The Debt Policy requires that each debt be specifically authorized by the District Board.

Debt Financing:

i. Principal maturity for debt will be linked to asset life and will not exceed thirty (30) years.

ii. Variable rate or other short term maturing debt maybe issued for capital purposes in anticipation of receipt of approved Federal and/or State grants, with the goal of repaying a portion or all of the debt issued upon receipt of funds.
iii. Issuance of debt must be linked to:
    1. Adequate encumbrance capacity to let contracts for the entire capital program in the most effective sequence.
    2. Cash flow requirements.
    3. Fund balance to guard against anticipated/unanticipated risks
iv. RT GRT will be used for the payment of annual debt service costs.
v. Debt will not be used for annual operating costs.

Lease Financing:

Lease obligations are a routine and appropriate means of financing capital equipment. These types of obligations maybe considered for equipment and assets that are not financed as a cost item under normal operating expenditures. The useful life of the equipment, the terms and conditions of the lease, and the direct impact on debt capacity and budget flexibility will be evaluated prior to the implementation of a lease program. Efforts will be made to fund capital equipment with a pay-as-you-go financing where feasible. Cash flow sufficiency, capital program requirements, lease program structures and cast and market factors will be considered in conjunction with a pay-as-you-go strategy in lieu of financing. Short-term equipment leases that do not access the capital markets are not covered by this policy.

Debt Service Coverage Ratios:

Debt Service coverage ratios establish a guideline for levels of annual operating costs relative to current and future debt service costs. This performance objective for Net debt service coverage is that the Operating Balance shall be greater than 1.25 times the annual debt service cost; however, the actual terms and conditions specific to each bond issue are controlled by the bond documents.

The net debt service coverage ratio is calculated as follows:

i. Operating income less operating expense equals the operating balance
ii. Operating balance divided by the annual debt service costs equals net debt service coverage ratio

The performance objective for Gross debt service coverage ratio (i.e. annual regional transit gross receipts tax/annual cumulative debt service cost) shall be maintained at a minimum of 3.0 times.

The maintenance of a debt service coverage ratio together with other performance measures provides multiple measures for the financial soundness of the NCRTD.

Refunding Bonds:

A present value analysis must be prepared that identifies the economic effects of any refunding to be proposed to the Board. It is acknowledged that some refunding may be executed for other than economic purposes, such as to restructure debt, change the type of debt instruments being used, or to retire a bond issue and indenture in order to achieve more desirable covenants. Approval by the Board is required for any refunding.

Method of Bond Sale:

The District will generally utilize a competitive sale process when complex bond structuring and marketing requirements are not an issue and the perceived pricing differential between competitive and negotiated sale is negligible. There are three potential methods of sale: competitive, negotiated, and private placement. Each type of bond sale has the potential to provide the lowest cost given the right conditions. The conditions under which each type of bond sale is best used are provided below. All or some of the conditions discussed will affect the method of sale.

A. Competitive Sale

1. Bond prices are stable and/or demand is strong.
2. Issuer has a strong credit rating.
3. Issuer is well known to investors.
4. There are no complex explanations required during marketing, regarding: issuer's projects, media coverage, political structure, political support, funding, or credit quality.
5. The bond type and structural features are conventional.
6. Bond insurance is included or pre-qualified (available).
7. Manageable transaction size.
8. Market timing and interest rate sensitivity are not critical to the pricing.

B. Negotiated Sale

1. Bond prices are volatile and/or demand is weak or supply of competing bonds is high.
2. Market timing is important, such as for refunding.
3. Coordination of multiple components of the financing is required.
4. Issuer has lower or weakening credit rating.
5. Issuer is not well known to investors.

6. Sale and marketing of the bonds will require complex explanations about the issuer's projects, media coverage, political structure, political support, funding, or credit quality.
7. The bond type and/or structural features are non-standard, such as for a forward bond sale, issuance of variable rate bonds or where there is use of derivative products.
8. Bond insurance is not available or not offered.
9. Early structuring and market participation by underwriters desired.
10. Pre-qualified underwriter's pool.
11. Large transaction size.
12. Expected high retail demand.

C. Private Placement

A Private Placement is a sale that is structured specifically for one purchaser such as a bank. The District reserves the right to privately place its securities if the need arises. Furthermore, any member of the active underwriting pool who presents the District with a cost savings financing plan, will be awarded to manage the financing/restructuring transaction.

Bond Consultants:

The District will select its financial advisors and its bond counsel by competitive process through a Request for Proposals (RFP). The District's contracting policies, which are in effect at the time, will apply to all contracts with finance professionals. Selection may be based on a best value approach for professional services or the lowest responsive cost effective bid based upon pre-determined criteria.

All financial advisors, bond counsel and underwriters will be selected through a Request for Proposals (RFP) or Request for Qualifications (RFQ) process, whichever is most appropriate given the circumstances. In isolated instances, such contracts may be awarded on a sole source basis if it is clear that a RFP/RFQ process would not be feasible or in the District's interests.

Financial Advisors:

The District may retain one or more financial advisory firms to provide general advice on the District's debt management program, financial condition, budget options, arbitrage rebate review, and rating agency relations. Additionally, a financial advisor may assist with the structuring of the District's Revenue Bond issuances and may be used on an as-needed basis to provide financial advisory services that do not fall into the other categories of District debt obligations.

Financing Teams:

Financial advisors, bond counsel, and underwriters, where applicable, will be selected through a competitive process. Depending on particular expertise and consultant availability, some firms may be used on more than one program. However, efforts will be made to establish different teams to provide a number of firms the opportunity to participate in District contracts.

Bond Counsel:

The District debt will include a written opinion by legal counsel affirming that the District is authorized to issue the proposed debt, that the District has met all constitutional and statutory requirements necessary for issuance, and a determination of the proposed debt's federal and state income tax status. An appropriately experienced bond counsel firm (or firms) will prepare this approving opinion and other documents relating to the issuance of debt with extensive experience in public finance.

Disclosure Counsel:

The District will hire Disclosure Counsel(s) to prepare official statements in the event of any debt restructuring/refinancing or new bond issue. Disclosure Counsel(s) will be responsible for ensuring that the official statement complies with all applicable rules, regulations and guidelines. Disclosure Counsel(s) will be a well recognized firm(s) with extensive experience in public finance.

Disclosure by Financing Team Members:

The District expects that all of its financial advisory team will at all times provide the District with objective advice and analysis, maintain the confidentiality of the financial plans if required, and be free from any conflicts of interest. All financing team members will be required to provide full and complete disclosure, under penalty of perjury, relative to any and all agreements with other financing team members and outside parties that could compromise any firm's ability to provide independent advice that is solely in the best interests of the District or that could be perceived as a conflict of interest. The extent of disclosure may vary depending on the nature of the transaction.

Note: The aforementioned financial performance measures are established as policy objectives for the District management to strive to achieve in managing the affairs of the District and may be temporarily suspended, modified or amended upon management review and Board approval.

6. Investment Policy

It is the policy of the NCRTD to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all state statutes governing the investment of public funds.

Delegation of Authority

Responsibility for the management of the District's investment portfolio is delegated to the Districts Finance Manager by the Executive Director. The District's Finance Manager will establish and maintain written procedures for the operation of the cash management and investment program consistent with this policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Manager.

Prudent Person Rule

Investments on behalf of the District will be made in accordance with the "prudent person" rule; i.e. investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Scope of Policy

Unless otherwise noted, this investment policy will apply in its entirety to all monies of the District over which it has direct control as well as those funds that the District is responsible for as custodian and/or trustee.

Investment Objectives

The District seeks to balance three primary objectives for its cash portfolio:

- Maintaining sufficient liquidity to meet financial obligations;
- Earning a market rate of return (subject to permitted investment constraints); and
- Diversifying investments among asset classes to ensure safety of principal.

The liquidity goal is achieved by matching investment maturities with the expected timing of obligations. Attainment of a market return is measured by benchmarking the portfolio against a relevant market index. Diversification (safety) is accomplished

through implementation of a strategic asset allocation, derived from modern portfolio theory concepts.

Performance Standards

The Districts' objective is to obtain a market average rate of return throughout budgetary and economic cycles that corresponds with invest risk constraints and cash flow needs.

The Districts investment strategy is passive. Given this strategy, the Finance Manager shall determine whether market yields are being achieved by comparing the average District portfolio yield to the 90 day U.S. Treasury Bill or the treasury security that most closely matches the duration of the portfolio.

Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and officials who are involved in investing public funds or have the authority to decide how public funds are invested shall disclose to the District Board any material financial interests in financial institutions that conduct business within the Districts jurisdiction, and they shall further disclose the conduct of personal business with, receipt of pecuniary benefit from, or financial interest they have in any entities in which investments are being made.

1. Permitted Investments (any investment not mentioned herein is prohibited)

    i. Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by , the United States of America or certificates or receipts established by the United States government or its agencies or instrumentalities representing direct ownership of future interest or principal payments on direction obligations of, or obligations fully guaranteed by, the United States of America or any of its agencies or instrumentalities, the obligations of which are backed by the full faith and credit of the United States.
    ii. Accounts, certificates of deposit and time deposits with banks and savings banks located in the District's service area provided that the collateral securing the investment permitted by this paragraph, are secured by the FDIC.
    iii. Bonds or securities of the State of New Mexico or of any agency or political subdivision or school district thereof which has a taxable valuation of real property for the last year of at least one million dollars and has not defaulted in the payment of interest or sinking fund obligation or failed to pay any bonds at maturity at any time within five years preceding the date of investment.

iv. The "short-term investment fund" described in Section 6-10-10.1 N.M.S. A. 1978 or other similar pooled funds maintained by the State of New Mexico for the investment of public funds of the local public bodies of the state.
v. Shares of pooled investment funds managed by the state investment officer, as provided in Subsection (G) of Section 6-7-8 NMSA 1978.
vi. Any other investment permitted at the time of the investment by a statue of the State of New Mexico for public entities.

2. Funds available for investment for more than one year, including monies appropriated to permanent and irrevocable trust funds may be invested as provided in Section 6-10-10.G NMSA 1978. The Investment Officer shall conduct a thorough investigation prior to investing in any pool or fund and on a continuing basis once an investment is made. Information gathered will include a written statement of policy and objectives, eligible securities, interest calculation and distribution, securities settlement and safekeeping, handling gains/losses, audit opinions, and fee schedules and statements.

3. Collateralization

New Mexico state law require that all certificates of deposit, money market, checking accounts, and any other investments not backed by the full faith and credit of the United States Government, other than investments in the New Mexico State Investment Council long-term investment funds, be secured by pledged collateral of at least 50 percent of the current market value. This collateral will be pledged in the name of the District and held by a third party institution, Federal Reserve Bank, or by a trust institution within the same bank as approved by the Financial Manager. The institution will issue safekeeping receipts to the District for securities held by a third party. The District will require that at all times; pledged collateral will be equal to, or greater than, 50 percent of the current market value of the Districts' applicable investments.

4. Selection of appropriate Investments

i. Individual investments are selected to meet anticipated cash flow requirements and provide adequate liquidity. Within this cash flow perspective, the investment manager will select those securities that will best meet the District's overall portfolio strategy.

ii. Criteria for selecting investments and the order of priority are:

1. Safety. The safety and risk associated with an investment refers to the potential loss of principal, interest or a combination of these amounts. The objective is to select only those investments that seek to ensure the preservation of capital in the overall portfolio and to mitigate credit risk and market risk.

2. Liquidity. This refers to the ability to "cash in" at any moment in time with a minimal chance of losing principal or interest. Liquidity is an important investment quality, especially when the need for unexpected funds occurs. The objective is to remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated within one hundred and eighty (180) days.

3. Yield. Yield is the potential dollar earnings an investment can provide, also referred to as the rate of return. The objective is to attain a rate of return that equals or exceeds the yield for the three month treasury bill.

5. Diversification

The District will diversify its use of investment instruments to eliminate nonsystematic risk. Strategic and tactical asset allocations shall be determined and revised periodically. In establishing asset allocations strategies, the following general policies and constraints shall apply: Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity range. With the exception of U. S. Treasury securities and authorized pools, no more than 50% of the total investment portfolio will be invested in a single sector or with a single financial institution or in a single maturity range. Maturities selected shall provide for stability of income and reasonable liquidity.

1. Liquidity shall be assured through practices ensuring that the next disbursement date and payroll date are covered through maturing investments.
2. Interest rate risk shall be controlled through duration management such that overall portfolio duration is set to a target based on existing market interest rates and rate expectations.

Selection of Brokers/Dealers

The Financial Manager shall develop and maintain a list of banks and securities dealers approved for securities transactions initiated by the district, and it shall be the policy of the District to purchase securities only from those authorized firms. To be eligible, a firm must meet at least one of the following criteria:

1. Be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a Primary Dealer within its holding company structure,
2. Report voluntarily to the Federal Reserve Bank of New York,
3. Qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

The Finance Manager will select broker/dealers on the basis of their expertise in public investing and their ability to provide service to the Districts account. Each authorized broker/dealer shall be required to submit and annually update a District approved Broker/Dealer Information Request form that includes the firm's most recent financial statements.

Approved broker/dealers shall attest in writing that they have received and read this Policy.

Safekeeping and Transaction Settlement

The Financial Manager shall approve one or more financial institutions to provide securities safekeeping services for the District. All investment securities purchased by the District will be held in third-party safekeeping by the District's safekeeping agent. The District's safekeeping agent will be required to furnish the District a list of holdings on at least a monthly basis. The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. Ownership of all securities shall be perfected in the name of the District. Sufficient evidence to title shall be consistent with modern investment, banking, and commercial practices.

Competitive Transactions

Securities purchases and sales will be executed after obtaining at least two competitive bids or offerings whenever feasible. If the District is offered a security for which competitive offerings cannot be obtained, quotations for comparable securities will be documented

7. Risk Management Policy

The District is to be protected to a prudent extent against liability or loss, which could significantly affect personnel, property, finances or the ability of the District to continue to fulfill its responsibilities as a regional transit entity. This is to be accomplished through the continuous identification, analysis, and control of risk exposures, the determination of the best methods of preventing or limiting losses and the section of the most economical method of insurance or other means.

Policy

I. After identification of loss potential and development of loss prevention programs, the mitigation of the financial impact of loss, as it may occur, shall be based on the most economical method of providing funds to meet the obligations of the District and to restore its facilities and/or equipment.

II. Risk management techniques shall include:

a. Assumption of loss

b. Use of available government programs

c. Purchase of insurance

d. Any other program that will provide the District with the most economical method of financing losses

III. The purchase of insurance shall be considered when:

a. The estimate of the cost of potential loss exceeds an amount considered as an allowable retention of risk and there are no other techniques available at a lesser cost

b. Services of loss adjustment and loss prevention are best secured through an insured program

c. Legal or contractual obligations require insurance

8. Periodic Review and Amendment

The Financial Policies delineated herein shall be subject to review and revision by the District at least every three (3) years. This does not preclude the District from revising specific policies included herein nor from adding policies should the District determine that the best interest of the public and/or NCRTD would be served by making such a revision.

Amendments or revision to these financial policies may be initiated or proposed by any member of the District Board or by the Executive Director of the NCRTD.
Proposed amendments or revisions to these Financial Policies shall be first presented to and reviewed by the Board's Finance and Consolidation Subcommittee. The Subcommittee shall make a recommendation on any proposed amendment or revision to the District Board.

The District Board must approve any amendment or revision by majority vote before said amendment or revision shall become official policy of the NCRTD.

9. Management Reporting Requirements

The Executive Director will provide the District Board with an annual report on the Districts actual versus budget performance at the end of the fiscal year once the books have closed.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT (NCRTD)
FINANCE SUBCOMMITTEE

August 23, 2013
9:00 a.m. - 11:00 a.m.

Executive Conference Room
1327 N. Riverside Drive
Espanola, NM 87532

AGENDA

CALL TO ORDER: Tim Vigil, Chair

Roll Call:

ITEMS FOR DISCUSSION/RECOMMENDATION

A. **Hinkle and Landers Audit Entrance Conference**
Sponsor: Anthony Mortillaro, NCRTD Executive Director and Glenda Aragon, Finance Manager.

B. **Minutes from July 26, 2013 Meeting**
Draft Minutes

MATTERS FROM THE SUBCOMMITTEE

ADJOURN

If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language Interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing of the meeting, please contact the NCRTD Executive Assistant at 505-629-4702 at least one week prior to the meeting, or as soon as possible. Public documents, including the agenda and minutes, can be provided in various accessible formats.

Finance Subcommittee

Meeting August 23, 2013

9:00 a.m.

Board Members Present (Telephonically): *Commissioner Dan Barrone - Taos County, Commissioner Miguel Chavez – Santa Fe County, Tim Vigil – Pueblo of Pojoaque (In Person), Councilor Geoff Rodgers – Los Alamos County (In Person)*

Staff Present: *Anthony Mortillaro – Executive Director, Glenda Aragon – Finance Manager, Pat Lopez – Finance Analyst, Dalene Lucero – Executive Assistant*

Guest(s) Present (Telephonically)*: Farley Vener – Hinkle and Landers, Katelyn Constantin – Hinkle and Landers*

Absent: *Commissioner Barney Trujillo - Rio Arriba County*

Transcribed By: Dalene E. Lucero – Executive Assistant

ROLL CALL

APPROVAL OF AGENDA

A. Hinkle and Landers Audit Entrance Conference

Mr. Vener gave a brief introduction in regards to the Audit Entrance Conference. He stated that he, Katelyn Constantin and Lauren Stover would be working on this years' audit for the District. He went on to state the general objectives of the audit, stating that they wished to provide an overview of the FY13 Audit Process; to establish two-way communication with management and the governing Board of Directors; to define the auditor and management responsibilities under generally accepted auditing standards; to provide an overview of the planned scope and timing of the audit; as well as discuss any questions or changes. Mr. Vener went on to define the auditors responsibilities stating that the auditor is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of those charged with governance are fairly, in all material respects, in conformity with generally accepted accounting principles.

Mr. Vener continued stating that the audit is designed to form an opinion about the District's financial statements. He noted that Management is then responsible for providing the financial statements to the auditors and to have internal controls over the financial reporting, which includes the Schedule of Expenditures of Federal Awards (SEFA), as well as to designate individual(s) with the skill set to work with the auditors in evaluating the adequacy and results

of the audit. Mr. Vener referred to slide (7) seven of the presentation in which he continued to briefly go over the Management responsibilities. He went on to describe the three (3) components of a New Mexico Audit: (FS) Financial Statement Audit, (A-133) Single Audit where they audit federal awards, and (OSA) the State Auditor Compliance Audit.

Mr. Vener went on to explain how the test work is conducted. He noted that the scope and timing of the project is a little off on the slide, but the auditors would probably be coming in after Labor Day. Mr. Vener went on to the next slide stating that by state law they are required to look at compliance in regards to the Procurement Code, Per Diem and Mileage Act, Personnel Act and State Personnel Administration, Investment of Public Money, and the Public Employees Retirement Act (PERA), etc. He noted that there were about twelve (12) compliance measures that the auditors will test by. Mr. Vener mentioned that there were new standards this year, one being the Auditing Standards Board Clarity Project which is going to affect the auditors more than the District because it is concentrating more on component units such as landfills or housing authorities. Mr. Vener proceeded to explain the new format of the Auditor's report, stating that it is much easier to follow. He noted that it now includes headings and subheadings, MD&A, the Auditor's opinion letter, etc.

Mr. Vener asked if the District wanted to do an MD&A. He noted that it was considered last year, however it was determined that it would be done this year.

Mr. Mortillaro stated that Ms. Aragon noted in the engagement letter that the District did want the Auditors to prepare the MD&A. He then asked Mr. Vener to describe what the MD&A was.

Councilor Rodgers asked what MD&A stood for.

Mr. Vener stated that it was Management Discussion and Analysis. He noted that it comes from management, and that it consists of 2-3 pages that gets management's opinion on what occured during the year, shows comparisons of the current year to the previous year and gives the analysis of why things changed.

Councilor Rodgers asked if that was something that came primarily from management, or if the audit team looked it the report as well.

Mr. Vener stated that management prepares the document, and then the Auditors review it to ensure it is consistent with their understanding. He noted that an example report was sent to the District last year, and he would be happy to work with anyone who'd like to be involved in the MD&A.

Ms. Aragon noted that the Auditor's assist in preparation of the MD&A. She stated that overall the District signs the document, however, the Auditors assist in the Discussion items.

Mr. Vener stated that he would send Ms. Aragon a template of the MD&A. He also noted that it would be a collaborative effort.

Ms. Aragon mentioned that there was not enough time to produce an MD&A last year, and that the District wants to ensure an MD&A is included in this years' audit.

Mr. Mortillaro noted that he understood there were some changes in GASB in regards to pension obligations. He then asked what Mr. Vener's take was in regards to the new requirements.

Mr. Vener stated that he was aware of the new pension requirements and that it was a bit technical. However, the auditors would be receiving some language to insert in the report if necessary. He also noted that the State Auditor's Office typically gives them guidance on this matter.

Ms. Aragon noted that this rule doesn't go into effect until FY 2015.

Mr. Vener stated that it is going to affect PERA directly.

Ms. Aragon asked if the new GASB required the District to show the PERA liabilities in the financial statements.

Mr. Vener stated that he did not believe it was going to filter down to the District's audit, and that it would be a year or two away.

Ms. Aragon stated that she wanted to ensure that the District gathers the information they need to be in compliance.

Mr. Vener noted that the District would eventually receive the data they needed. However, the only two responsibilities the District has is to be aware and to ensure they are comfortable with the information they receive.

[Commissioner Chavez entered the teleconference.]
Mr. Vener asked if there were any more questions in regards to the prior years' findings, etc. He also noted that he had a list of any new or upcoming items with the District.

Mr. Rodgers asked if Mr. Mortillaro could give a briefing in regards to corrective actions from last year's findings.

Mr. Mortillaro stated he did not have those with him.

Ms. Aragon stated that the District had been working on correcting any findings from last year so they do not come up again this year. She also stated that since she has been employed with the District, she has implemented tighter internal controls and new procedures as well. Ms. Aragon also noted that the communication with the auditors has vastly improved from last year.

Mr. Mortillaro asked Mr. Vener if he wanted the District to speak in regards to any particular findings from last year.

Mr. Vener stated that he did not see anything that the District could not overcome or correct. He noted that the District did receive some non-cash Federal expenditures last year, which does affect the schedule of expenditures, however they do want to see the big picture in regards to that.

Mr. Rodgers asked Mr. Mortillaro if he anticipated any repeat findings.

Mr. Mortillaro responded stating that he did not. He stated that things have improved quite a bit since Ms. Aragon has been with the District, and that she really has kept on top of staff in regards to supporting documentation, etc. He also stated that Mr. Lopez has done a great job as well.

Mr. Lopez mentioned that in FY13 there was a big turnover in Finance, and because he was the only one here some things did fall through the cracks. However, part of those audit findings reflected the vacancies.

Ms. Aragon stated that during that time there were some temps coming in and out of the District, so Mr. Lopez was doing what he could. She also mentioned that is the reason why the audit findings are not that significant in terms of correcting them now that Finance is fully staffed. Ms. Aragon also noted that most of the findings were due to turnover.

Mr. Mortillaro mentioned that the State Inspector General's Office was conducting an audit during that time as well.

Mr. Vener asked if there was anything else that needed to be discussed.

Mr. Lopez noted to Mr. Vener that the District has a separate Procurement Policy, so they do not follow the State Procurement Code. He also noted that District has a separate Travel Policy in which the District does not follow the Per Diem and Mileage Act.

Mr. Mortillaro also added that the District has their own separate Personnel Rules and Regulations in which they do not follow the State Personnel Act.

Mr. Vener stated that this was noted so they do not audit incorrectly.

Commissioner Chavez asked what the timeline was and if the audit would go to the full Board for final discussion and approval.

Mr. Mortillaro stated that once the auditors complete the audit an exit conference will be conducted with the auditors and Finance Subcommittee. He also noted that the exit conference is done concurrently with submittal of the audit to the State Auditor's Office. Mr. Mortillaro mentioned that the audit is usually not released until authorized by the State Auditor's Office which is not until January. He also noted at that time the audit will then be presented by Mr. Vener to the full Board and to the public.

Mr. Vener stated that Mr. Mortillaro has captured everything.

Mr. Mortillaro stated that the staff has been working diligently on preparing for the audit, which has been started much earlier than last year.

Ms. Aragon noted that the auditors have provided the District with a list of items that the staff has been working on, as well as entering items into the auditor's portal/system, and staff is still working on tying down the trial balance prior to handing everything over to the auditors.

Ms. Constantin asked how the trial balance was coming along.

Ms. Aragon stated that it was coming along well.

Mr. Vigil asked if the presentation would go to the full board.

Mr. Barrone said it would not, he stated that the entrance and exit conferences would be held with the finance subcommittee and then the audit would be presented to the board in January.

Mr. Mortillaro stated that as a requirement it is mandatory to hold both an audit entrance and exit conference with the Finance Subcommittee.

Mr. Barrone asked if there was a certain area that needs to be looked at further.

There were none.

Mr. Vigil and Mr. Barrone thanked the auditors and staff for their hard work in this matter.

[Mr. Vener and Ms. Constantin exited the teleconference.]

B. Minutes from July 26, 2013

Mr. Mortillaro asked the committee members to review the minutes of the July 26, 2013 meeting.

Mr. Vigil asked if anyone had any changes or amendments to the meeting minutes.

Commissioner Chavez made a motion to approve the minutes from the July 26, 2013 Finance Subcommittee meeting. Councilor Rodgers seconded the motion and it passed by unanimous voice vote.

MATTERS FROM THE SUBCOMMITEE

Mr. Mortillaro stated that the District was looking to distribute technical memos for the service plan prior to the Board packet for the September 6th Board meeting being sent out. He stated that he was trying to get the Board's input so that there is a more complete document.

Commissioner Barrone asked if Mr. Mortillaro was going to set up a meeting with the Mayor of the Town of Taos in regards to the overlap of routing with the Chili Line and the RTD.

Mr. Mortillaro stated that he thought Commissioner Barrone was going to schedule the meeting.

Commissioner Barrone stated that he was, that he had already spoken with the Mayor and that he was working on a date for the meeting.

Mr. Vigil made a motion to adjourn the meeting at 10:03 a.m. Councilor Rodgers seconded the motion and it passed by unanimous voice vote.

ADJOURN – Next Finance Subcommittee meeting will be held on September 27, 2013 at 9:00 AM.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT (NCRTD)
FINANCE SUBCOMMITTEE

September 27, 2013
9:00 a.m. - 11:00 a.m.

Executive Conference Room
1327 N. Riverside Drive
Espanola, NM 87532

AGENDA

CALL TO ORDER: Tim Vigil, Chair

Roll Call:

ITEMS FOR DISCUSSION/RECOMMENDATION

A. **Discussion and Review of FY 2013 End of Year Budget**
Sponsor: Anthony Mortillaro, NCRTD Executive Director and Glenda Aragon, Finance Manager.

B. **Discussion and Review of Investment of District Funds into the Local Short-Term Investment Fund in the State of New Mexico Local Government Investment Pool**
Sponsor: Anthony Mortillaro, NCRTD Executive Director and Glenda Aragon, Finance Manager.

C. **Minutes from August 23, 2013 Meeting**
Draft Minutes

MATTERS FROM THE SUBCOMMITTEE

ADJOURN

If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language Interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing of the meeting, please contact the NCRTD Executive Assistant at 505-629-4702 at least one week prior to the meeting, or as soon as possible. Public documents, including the agenda and minutes, can be provided in various accessible formats.

Finance Subcommittee

Meeting September 27, 2013

9:00 a.m.

Board Members Present (Telephonically): *Leandro Cordova (Telephonically) - Taos County, Commissioner Miguel Chavez – Santa Fe County (In Person), Tim Vigil – Pueblo of Pojoaque (In Person), Councilor Geoff Rodgers – Los Alamos County (In Person)*

Staff Present: *Anthony Mortillaro – Executive Director, Glenda Aragon – Finance Manager, Pat Lopez – Finance Analyst, Dalene Lucero – Executive Assistant*

Guest(s) Present*:*

Absent: *Commissioner Barney Trujillo - Rio Arriba County*

Transcribed By: Dalene E. Lucero – Executive Assistant

ROLL CALL

APPROVAL OF AGENDA

A. Discussion and Review of FY 2013 End of Year Budget

Mr. Mortillaro noted that he wanted to bring back a recap of the end of the year FY 2013 budget to the Finance Subcommittee and the Board of Directors. He mentioned that some budget adjustments were made due to decreasing revenues, in which expenditures were also decreased. Mr. Mortillaro stated that he thought it would be good to show how the District did in respect to those targeted goals and how it turned out at the end of the year.

Mr. Mortillaro then turned the presentation over to Ms. Aragon and Mr. Lopez.

Ms. Aragon noted that because Mr. Lopez did most of the heavy lifting on this report, she would like him to present this item further.

Mr. Lopez went on to present the Financial Facts and Projections from January 2012 to June 30, 2013, in which he referenced pages 3 and 5 of the packet. He stated that at Mid-year, the District projected a shortfall of about $262,047 in GRT, however the end of year balance was at about $142,530.

Councilor Rodgers asked if it was covered by reserves.

Mr. Lopez responded stating that the District improved in that they took a very conservative approach that was mainly driven by a decline of GRT revenue generated in Los Alamos County (LAC).

Ms. Aragon noted that the loss of anticipated GRT revenue from previous months led the NCRTD to project a reduction in revenue by 20% for the remainder of the fiscal year. Anticipating a $532,993 deficit from what was budgeted; at year end the LA County deficit was $472,532, a difference of $60,401.

Ms. Aragon went on to mention that the NCRTD also adjusted the following counties projected GRT revenue conservatively as follows: Rio Arriba County – anticipated decrease of 3% or $9,043, actually came in at a higher loss at yearend of $12,801 a difference of $3,758; Santa Fe County – anticipated Increase of +6.5% or $260,837, actually came in higher at year end totaling $301,522 an increase of $40,685; and Taos County – anticipated Increased +5.0% or $19,152, actually came in higher at Year-end totaling $41,281, an increase of $21,130.

Commissioner Chavez noted that GRT funding is always up and down, it is not something that stays consistent, which means you have to be more conservative in your budgeting.

Mr. Mortillaro noted that the $301,522 coming from Santa Fe County does not all go to the District, because 50% off the top of that goes directly to the Railrunner, which increases the District's cost on the expenditure side.

Mr. Cordova mentioned that Taos County has increased from two years ago. He also stated that there was a spike in GRT funding due to the Mumford and Sons concert that was held during the summer months. Mr. Cordova noted that one event in Taos County can really make a difference to GRT, and although it is nice to have, you cannot really budget on that.

Commissioner Chavez stated he would like to use this information in the monthly update to the Santa Fe County Commission, and would like Mr. Eric Aune to include this in his presentation.

Mr. Mortillaro noted that this presentation would be repeated at the NCRTD Board meeting to be held on October 4, 2013.

Mr. Lopez gave further explanation in regards to the FY13 Financial Status Summary. He went on to reference page 5 of the packet to further explain the revenues and expenditures stating that NCRTD received $57,574 in proceeds from the sale of auctioned vehicles, Transit Fares, Bank Interest and Miscellaneous Revenue. Total projected revenue was $44,045. Mr. Lopez noted that it was really difficult to project insurance proceeds, stating that the District did pick up $1,260 at the end of the year.

Mr. Mortillaro mentioned that he preferred not to have any at all because it is usually a loss due to an accident.

Mr. Lopez stated that accidents have really dwindled over the years. He went on to state that the District gained $4,338 in Miscellaneous revenue.

Councilor Rodgers asked why the accidents have dwindled over the years.

Mr. Mortillaro noted that a new Operations Manager has come on board in the last year and a half, and since then the new hire orientations are focused more on safety. He also stated that the District's Risk Management Program is run through the New Mexico Self Insurers Fund of which the District is reliant on them to provide Defensive Driving training and other types of safety related training.

Councilor Rodgers stated that somebody needs to be recognized for a job well done.

Mr. Mortillaro went on to state that the Board would continue to see this first hand in respect to how the District is doing from a Defensive Driving standpoint due to the newly designed performance measure now reflecting the number of miles without an accident; both minor and major. He went on to state that without looking back three years, he did not have a solid answer on how many accidents there were back then, in comparison to how many have occurred now.

Councilor Rodgers noted that when he was a Transportation Manager, he used an accident tracking system to track how accidents occurred and why they occurred. He then asked if the District was doing anything to track accidents at this time.

Mr. Mortillaro stated that the District had not been tracking it until now that Mr. Michael Kelly has been doing since he's come on board.

Mr. Vigil asked if the new AVL software would be able to track these types of things.

Mr. Mortillaro stated that the AVL software doesn't necessarily track the accident, however, whenever there is an accident, there is a camera on board each of the buses in which the footage can be viewed. He noted that speed would be something that could be tracked in AVL.

Further discussion went on in regards to accident tracking.

Mr. Lopez went on to explain the expenditures stating that the Administration Salaries included that of the Executive Director, the Executive Assistant, the Public Information Officer, the Projects and Grants Specialist, etc. He stated that the District was projecting a surplus of $96, 837 due to the vacancy of the Projects Manager, of which the District changed to an HR manager for FY14. Mr. Lopez noted that the projections did not really change throughout the course of the year ending in a balance of $95,553. He continued on to Administration Benefits, stating that a surplus of $42,534 was projected at mid-year, which slightly changed at the end

of the year to $33,086. For Administration Operating costs, a surplus of $128,726 was projected at mid-year and by year end the District had a surplus of $162,436. Mr. Lopez noted that a lot of that was attributable to contractual services such as the service plan which was carried over to the next fiscal year. He moved on stating that the Operations Salaries included that of the Operations Manager, Transit Supervisors, Drivers, Customer Service Reps and Maintenance Staff. Mr. Lopez noted that at mid-year, a surplus of $141,666 was projected and $243,179 was the yearend balance which was due to the vacancy of some positions. He then went on to Operations Benefits, stating that $45,060 was projected at mid-year, whereas the yearend balance was a total of $22,846. The Operations operating cost went down from $53,991 projected at mid-year to $3,339, stating that it was attributable to the janitorial position that was later contracted out. Mr. Lopez stated that the District was projecting to have a deficit of $123,316 in Non-RTD, whereas the yearend balance was a total of $119,554. The Capital outlay was projected at mid-year to be a surplus of $291,213, whereas the yearend balance came out to $264,019, leaving the District with a loss of about $27, 194.

Ms. Aragon noted that the District generated a savings that was $28,310 less, however, the Board had authorized the movement of capital funds for HVAC towards making up the deficient on a bus purchase.

Mr. Lopez went on to mention that the overall total anticipated savings in expenditure cuts were estimated at $676,711 and total Year end actual savings came in at $704,915 a difference of $28,204 more in overall savings. He proceeded to the total revenues and expenditures for the year stating that a total of $458,709 were projected at mid-year, with a yearend balance of $619, 959, and an additional savings of $161,250.

Mr. Lopez proceeded to further explain the Local Share Federal Match Balances, stating that for 5311 there is a 50/50 split for Operations; 50% is Federal Funding and 50% is a local match. He then noted that for Administration there is an 80/20 split; 80% is Federal Funding and 20% is a local match. Mr. Lopez mentioned that for 5316 there is a 50/50 split. Therefore, the balance of $1,800 noted on page 5 of the packet is local match money, however all federal funds were spent entirely. He noted that last year the District spent 99.9% of federal funds. He also stated that out of the 22 entities the New Mexico Department of Transportation allocates to, the NCRTD was ranked number one in not giving up any federal funds.

Further discussion went on regarding this matter.

Mr. Mortillaro concluded the presentation in regards the FY13 Financial Summary.

Councilor Rodgers made a motion to move this on for discussion to the Board at the October 4, 2013 Meeting. Commissioner Chavez seconded the motion and it passed by unanimous voice vote (4-0).

[Mr. Lopez exited the room.]

B. Discussion and Review of Investment of District Funds into the Local Short-Term Investment Fund in the State of New Mexico Local Government Investment Pool

Mr. Mortillaro gave a brief background in regards to the District's current investment funds. He then handed it off to Ms. Aragon for further explanation. She noted that the LGIP was established under NMSA 1978, Section 6-10-10.1. Ms. Aragon continued stating that it is a short term investment fund that consists of governmental entities and Indian tribes or Pueblos.

Mr. Mortillaro noted that the Board's adopted financial policies allow the District to participate in LGIP. However, in order for the District to participate in the investment of funds into the LGIP, it requires the Board to adopt a resolution.

Councilor Rodgers suggested that in order for the District to protect themselves, he noted that it may be good to put a cap on the amount that is invested in the LGIP.

Ms. Aragon agreed.

Ms. Aragon proceeded to reference the District's Investment Policy (page 20) also included in the packet. She then referenced Standard & Poor's Pool Profile in regards to the LGIP (page 26) which was also included in the packet.

Commissioner Chavez noted that it was a good idea to set a parameter in regards to the amount of funds invested into the LGIP.

Mr. Vigil stated that Commissioner Chavez and Councilor Rodgers explained the parameters very well. He also asked what the Rate of Return was on the LGIP.

Mr. Cordova stated that although the LGIP does not tend to pay a lot, it is a very low risk investment.

Further discussion went on regarding this matter.

It was recommended that the Finance Subcommittee recommend that the Board of Directors consider passage of a resolution to apply to Local Government Investment Pool (LGIP) for participation, certifying the Finance Director of the NCRTD, through the Executive Director as authorized signatories to conduct transactions in respect to the LGIP.

The Finance Subcommittee directed staff to do more research of alternative investment options and bring it back at the Finance Subcommittee meeting to discuss the item further.

C. Minutes from August 23, 2013

Mr. Mortillaro asked the committee members if they wished to review the minutes of the August 23, 2013 meeting or wait until the next meeting.

Mr. Vigil asked that the review of the August 23, 2013 meeting minutes be moved to the October 25, 2013 Finance Subcommittee Meeting.

The Finance Subcommittee agreed.

MATTERS FROM THE SUBCOMMITEE

ADJOURN – Next Finance Subcommittee meeting will be held on October 25, 2013 at 9:00 AM.